

COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

PROPOSAL BY CHAIRMAN ROSTENKOWSKI
TO RESTORE AUTOMATIC TRIGGER IN
GRAMM-RUDMAN-HOLLINGS

(Public Law 99-177)



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INTRODUCTION

This pamphlet, prepared by the staff of the House Committee on Ways and Means, provides an overview of Chairman Rostenkowski's proposal for restoring the automatic sequestration mechanism to the Balanced Budget and Emergency Deficit Control Act of 1985 (P.L. 99-177), frequently referred to as Gramm-Rudman-Hollings.

Sections I and II of the pamphlet present a summary of the principal provisions of and the rationale behind Chairman Rostenkowski's proposal. The proposal would restore the automatic sequestration mechanism for two years, grant OMB final authority to determine the sequestration order, revise deficit targets, and limit the amount of deficit reduction to \$36 billion in any year.

Section III compares Chairman Rostenkowski's proposal to current law, Section IV explains the proposal in detail by issue, and Section V contains a section-by-section analysis of the proposal. The Congressional Research Service, the Congressional Budget Office and the General Accounting Office have analyzed the Chairman's proposal, and these analyses are presented in Section VI.

Finally, Sections VII and VIII present draft legislative language and changes in existing law made by the proposal.

I. PURPOSE AND SCOPE

The Rostenkowski proposal amends the Balanced Budget and Emergency Deficit Control Act of 1985 (P.L. 99-177), frequently known as Gramm-Rudman-Hollings (GRH). The principal amendments include the alteration of the sequestration process and the deficit reduction targets. These amendments are designed to ensure significant real deficit reduction; a balanced federal budget is envisioned by FY1992.

The proposal is consistent with P.L. 99-177 in that it contains a Congressionally mandated sequestration procedure. This proposal addresses the Constitutional defects of the original Gramm-Rudman-Hollings law by transferring from the General Accounting Office (GAO) to the Office of Management and Budget (OMB) the responsibility for drawing up sequestration orders. It is the role of the GAO under the original law which the Supreme Court found to be Constitutionally invalid.

Under this proposal, there would be significant requirements and restraints on OMB to ensure that it will not have the discretion to manipulate the sequestration process to the advantage or disadvantage of particular programs. In addition, the Congressional Budget Office (CBO) would be given responsibilities to report on the anticipated deficit and sequestration amounts, and OMB would be required to explain its deviations from CBO estimates. Finally, GAO would submit to Congress a compliance report to determine whether OMB has complied with the law.

The Rostenkowski proposal also modifies the deficit targets of the original law to allow more realistic and meaningful deficit reduction by the Congress. Yet it still achieves a balanced budget by 1992. The maximum sequestration in any year would be \$36 billion. In FY1988, the sequestration amount would be determined solely by the amount of unachieved deficit reduction, limited by a maximum of \$36 billion.

II. SUMMARY OF PRINCIPAL PROVISIONS AND REASONS FOR CHANGE

1. Reinstatement of the automatic trigger for two years.

- a) With automatic sequestration a threat, the President and Congress are more likely to negotiate to pass and enact the policies contained in the conference report on the budget resolution.
- b) A two-year amendment gives Congress ample opportunity to review the performance of OMB in preparing and implementing the sequestration order.
- c) A two-year amendment allows a new President (either Democrat or Republican) to decide whether he or she wants the automatic trigger.
- d) An automatic trigger guarantees that a new President will confront a substantially improved deficit situation.

2. Granting of authority to OMB to determine the sequester order.

- a) The Rostenkowski proposal meets the constitutionality test of the Supreme Court's Gramm-Rudman ruling. It does not vest any Executive branch functions in GAO or any other employee of the Congressional branch.
- b) Compared to current law, the Rostenkowski proposal simplifies the timetable for sequestration.

3. New requirements regarding the sequestration process.

- a) Requirements in current law and the additional requirements specified in the Rostenkowski proposal effectively eliminate OMB's discretion to manipulate the sequestration procedure to the advantage or disadvantage of particular programs.
 - The requirement that half of all outlay reductions come from defense programs and half from non-defense programs, and the requirement that a uniform percentage reduction be applied to budget authority in each account provide considerable safeguards against OMB discretion.
 - The Rostenkowski proposal places additional reporting requirements on OMB so that actual amounts sequestered from defense and non-defense accounts can be easily compared under both OMB and CBO assumptions.
 - The Rostenkowski proposal also limits OMB discretion by 1) requiring that OMB use the same economic and technical assumptions in its final report as its initial report, 2) requiring that OMB use the same economic and technical assumptions in preparing the final order as it uses in estimating total required outlay reductions, and 3) constraining OMB's outlay rate assumptions which are used to calculate the uniform percentage reductions to be applied to defense and non-defense budget authority.
- b) The Rostenkowski proposal eliminates a loophole which currently allows part-year appropriations bills enacted after October 15th to escape sequestration.

4. Modification of the deficit targets.

- a) The Rostenkowski proposal presents more realistic deficit targets of \$108 billion for FY1989, \$72 billion for FY1990, \$36 billion for FY1991 and \$0 for FY1992; it does not set Congress and the President up for failure. The realistic targets will encourage both parties to move toward meaningful deficit reduction.
- b) Putting a cap of \$36 billion on the total amount of required outlay reductions makes the process significantly less sensitive to OMB's economic and technical assumptions, since these assumptions are important determinants of the deficit estimate and thus the total amount of required outlay reductions.

5. Exemption from sequestration for military personnel.

- a) Total budget authority reductions for defense will not change by exempting military personnel from sequestration; rather, budget authority reductions in procurement and other defense accounts will simply increase.
- b) Therefore, exempting military personnel will increase political pressure for the President to accept a balanced deficit reduction package because of the relatively greater impact of sequestration on military contractors.

6. Increasing the limitation on Medicare reductions to a maximum of 4 percent.

- a) Increasing the maximum Medicare reduction will decrease the budget authority reductions in other non-defense accounts.
- b) Increasing the maximum Medicare reduction will increase political pressure for the President to accept a balanced deficit reduction package because sequestration will have an even greater impact on hospitals and doctors.

7. Elimination of the conceptual differences between CBO and OMB in estimating the deficit.

In calculating the budget base, OMB and CBO would have to assume that appropriated entitlement programs are fully-funded, that federal pay raises are included, that advance farm deficiency payments are made, and that asset sales will occur only if a final notice for sale is published in the Federal Register by August 15th.

By eliminating major conceptual differences between CBO and OMB in estimating the base deficit, the Rostenkowski proposal places further constraints on OMB and provides sounder comparisons of CBO and OMB estimates.

III. COMPARISON OF CURRENT LAW AND ROSTENKOWSKI PROPOSAL

CURRENT LAW

ROSTENKOWSKI PROPOSAL

I. DEFICIT TARGETS AND AMOUNT OF SEQUESTRATION

A. Fixed Targets

(in billions)

FY 88	\$108
FY 89	72
FY 90	36
FY 91	0
FY 92	no provision

(in billions)

FY 88	\$108
FY 89	108
FY 90	72
FY 91	36
FY 92	0

B. Amount of Sequestration

Enough to reach the fixed target.

For fiscal year 1988, enough to reach a deficit that is \$25 billion below a "Gradison base" unadjusted for inflation. For fiscal years after 1988, enough to reach the fixed target OR to reach a deficit that is \$25 billion below a "Gradison base", whichever is less. In all years, sequestration is capped at \$36 billion.

NOTE: For FY 1988, a \$36 billion reduction from the baseline, which contains adjustments for inflation, is equivalent to a \$25 billion reduction from a "Gradison base" which is unadjusted for inflation or pay raises. CBO estimates the impact of inflation to be about \$11 billion.

II. WHO MAKES THE DEFICIT ESTIMATES AND SEQUESTRATION CALCULATIONS?

A. Who Makes The Calculations?

CBO and OMB, in a joint report, with any differences split down the middle.

FY 1988 and 1989, OMB, with due regard for a CBO report. For FY 1990-1992, Current Law (CBO and OMB, in a joint report).

CURRENT LAW

ROSTENKOWSKI PROPOSAL

NOTE: The Rostenkowski proposal with modifications (see IV), utilizes the formula in current law, which A) requires that outlay cuts be split 50/50 between defense and non-defense programs; B) requires that budgetary resources (generally budget authority) for every defense budget account, program, project, and activity be cut by the same percentage; and C) requires that budgetary resources for every non-defense budget account, program, project, and activity be cut by the same percentage.

B. Additional Constraints on OMB's Estimates

(not applicable)

- A) Must not vary aggregate defense or non-defense outlay spendout rates by more than 1/2 of 1 percent from those used by OMB in the CBO/OMB joint report of August 1986.
- B) Must not reestimate total CCC or Medicare outlays by more than 5% from that year's current services level.
- C) OMB must explain and analyze deviations from the CBO report with respect to the: excess deficit amount, aggregate amount of resources actually sequestered from defense accounts by type of resource, and aggregate amounts actually sequestered from non-defense by type of resource.
- D) OMB must explain any difference between its OMB estimate of the aggregate amount of defense resources and non-defense resources actually sequestered and the estimate using CBO assumptions with an identical amount to be sequestered as that projected by OMB.
- E) In both the initial and final orders, OMB must identify and explain, by budget account, any differences from CBO in sequesterable resources equal to or greater than 1 percent (not less than 5 million) from the CBO report.

F) OMB must use the same economic and technical assumptions in the final report as it uses in its initial report. Differences can be due to enacted law only. These same economic and technical assumptions also apply in calculating the "Gradison base", the order, and the amount of net deficit reduction achieved.

G) Must assume advance farm deficiency payments.

H) May only count asset sales for which a final notice of sale has been published in the Federal Register by August 15.

I) Pay raise amounts and definition of entitlements clarified to correct prior OMB "interpretations".

III. WHO PULLS THE TRIGGERS?

Congress and the President: No sequestration occurs unless each House chooses to pass a joint resolution (using the figures in the CBO/OMB report) and the President chooses to sign it (or his veto is overridden).

IV. OTHER ELEMENTS OF GRAMM-RUDMAN

A. Changes to the Sequestration Formula

(not applicable)

In FY 1989 and 1989, automatic trigger: The President is required to sign the OMB sequestration report. In FY 1990-1992, Current Law (Congress and the President, based on CBO/OMB sequestration report).

A) Military Personnel accounts are exempted from sequestration. This increases the sequestration percentage for all other defense accounts, e.g., procurement.

B) Medicare sequestration is changed from a definite 2% to a maximum of 4%. (Also, the ability of physician to pass on the losses to beneficiaries is restricted.)

CURRENT LAW

ROSTENKOWSKI PROPOSAL

C) Technical corrections to the exemption list: clarifies that WMATA interest payments and CSFP are exempt. Conforms the statute to reflect exemptions from sequestration enacted since 1985 (Federal retirement, Veterans' insurance and other benefits, Panama Canal Commission, and various payments to territories.)

B. On What Date Does Sequestration Occur?

Initial Sequestration occurs on October 1, Final Sequestration on October 15. If deficit target is met by October 5, then the October 15 order releases amounts withheld under the initial sequestration.

Initial Sequestration occurs on October 1, Final Sequestration on October 15. If sufficient deficit reduction is enacted by October 10 (for FY 88 and 89) or October 5 (for FY 90-92), then the October 15 order releases amounts withheld under the initial sequestration order. Further, subsequent appropriations are also sequestered (by the same pro-rated amount) so that they do not supersede the final sequestration order.

C. Point of Order Against Non-Conforming Budget Resolutions

Budget Resolution deficit must be below the fixed deficit target. 3/5 vote needed for waiver.

Budget Resolution deficit must be below fixed deficit target OR must be \$25 billion below the Gradison Base deficit. 3/5 vote needed for waiver.

V. OTHER PROVISIONS

(not applicable)

A) Common Baseline: CBO & OMB Directors should meet annually on developing a common baseline for use by all parties.

- B) Debt Limit: Senate rules would be conformed to House "Gephardt Rule", so that agreement to a Budget Resolution would constitute passage of a full-year increase in the debt limit.
- C) President's 1989 Budget must include deficits that meet the fixed deficit target in each year, including balance in FY 1992.
- D) Summit Conference: Sense of Congress on need for bipartisan meeting, including the President, to address substantive budget and budget process issues.
- E) Thrift Plan transactions are private, not U.S. Budget, in conformance with GAO ruling.

IV. DETAILED EXPLANATION OF THE PROVISIONS

1. Reinstatement of the automatic trigger for two years.

The proposal would reinstate the automatic sequestration process of the original Gramm-Rudman-Hollings bill for fiscal years 1988 and 1989.

2. Adjustments in the trigger and the timetable for sequestration.

OMB would make the final determination of the sequester order, according to the timetable and allocation rules set forth in the Budget Act (as amended by this proposal). The new timetable is as follows:

Initial CBO/OMB Snapshot	8/15
CBO issues initial report	8/20
OMB issues initial report	9/1
Fiscal year begins	10/1
CBO issues final report	10/10
OMB issues and implements final order	10/15
GAO compliance report	11/15

3. New requirements regarding the sequestration process.

- a) OMB must explain and analyze deviations from the CBO report with respect to the:
- (1) total amount of required outlay reductions,
 - (2) total amount of budgetary resources actually sequestered from defense accounts by type of resource, and
 - (3) total amounts actually sequestered from non-defense by type of resource

In addition, OMB must include in its report CBO estimates for (2) and (3) above, using CBO assumptions with an excess deficit amount equal to that projected by OMB. OMB must explain and analyze differences between these estimates and its own estimates.

- b) In both the initial and final orders, OMB must identify and explain, by budget account, any differences in sequesterable resources equal to or greater than \$5 million and 1 percent from the CBO report.
- c) In preparing its initial and final orders, OMB estimates of the aggregate relationship between outlays and sequesterable resources for both defense and non-defense accounts cannot deviate by more than one half of 1 percent from the estimates used in the OMB sequestration report for fiscal year 1987. In addition, outlay estimates for Medicare and CCC would not vary by more than 5 percent from the current services January or February President's budget submission.

- d) OMB must use the same economic and technical assumptions in preparing the final order as it uses in estimating the excess deficit amount.
- e) OMB must use the same economic and technical assumptions in the final report as it uses in its initial report. Differences can be due to enacted law only. All regulations which affect the deficit, including regulations which propose the sale of financial or real assets and regulations modifying payment schedules, must be promulgated in final form by August 15th or they may not be taken into account for either the initial or final orders.
- f) For accounts in which a part-year continuing appropriations bill is in effect at the time the President issues a final order, and for accounts in which part- or full-year appropriations bills are enacted after the President issues a final order, additional language clarifies how sequestration applies. For such bills enacted after a final order, the Director of OMB must issue a report within 10 days which details how sequestration applies.
- g) GAO would issue an enhanced compliance report on November 15 stating whether OMB has complied with the law, has done all calculations correctly and has explained satisfactorily any deviations from the CBO report.

4. Modification of the deficit targets.

- a) The amendment would modify the deficit targets of the original Gramm-Rudman Hollings proposal so that the amount of deficit reduction required for FY 1988 is consistent with H. Con. Res. 93, the concurrent resolution on the budget for fiscal year 1988. The deficit targets would be modified to reach zero by 1992. The maximum deficit amounts would be \$108 billion for FY 1988, \$108 billion for FY 1989, \$72 billion for FY 1990, \$36 billion for FY 1991, and \$0 for FY 1992. The Act would extend for an additional year.
- b) Sequestration for any fiscal year would not occur if the net deficit reduction in all laws enacted after March 1 for the calendar year prior to the fiscal year through August 15th for the initial report and early October for the final report exceeds \$25 billion. (This is equivalent to a reduction of \$36 billion from a baseline where discretionary budget authority is adjusted for inflation.) The baseline against which the amount of deficit reduction is to be measured would be the Gradison base, assuming the laws in effect on March 1. This assumes no appropriations bills for the upcoming fiscal year have been enacted and no other adjustments for inflation, such as for pay increases, have been made. The conceptual changes in (7) below would apply.
- c) For fiscal year 1988, sequestration would be the amount specified in b) above. For fiscal years after 1988,

sequestration would be the lessor of the amount the target in b) above is missed, or the fixed target is met, up to a maximum of \$36 billion.

- d) Points of order under 301(i) of the Budget Act would not apply if the Budget Committee certifies, based on CBO estimates, that \$25 billion of deficit reduction has occurred relative to the Gradison baseline.

5. Exemption from sequestration for military personnel.

The pay and benefits for the nine military personnel accounts listed in the original act would be exempted from sequestration.

6. Increasing the limitation on Medicare reductions to a maximum of 4 percent.

Medicare reimbursement would be subject to a maximum reduction of 4 percent, instead of the current 2 percent maximum reduction. Its special rule status and the form of reduction would not be changed. Providers who charge amounts in excess of the medicare-approved charge would be prohibited from passing on the payment reductions to beneficiaries. Existing limits on actual charges (the maximum allowable actual charge limits) would be modified by reducing the charge limits by the dollar amount of the corresponding payment reduction.

7. Elimination of the conceptual differences between CBO and OMB in estimating the deficit.

In calculating the budget base, OMB and CBO should assume that:

- (a) appropriated entitlement programs are fully-funded,
- (b) federal pay raises are included,
- (c) advance farm deficiency payments are paid, and
- (d) asset sales will occur only if a final notice of sale is published in the Federal Register by August 15th.

8. Printing of orders in the Federal Register.

Both the initial and final orders issued by OMB would be printed in the Federal Register on the day they are issued.

9. Automatic rule on debt bill extension.

10. Sense of Congress language on common economic assumptions and budget summit.

11. Other technical and clarifying amendments.

- (a) Eliminate possibility of sequestering obligated balances.
- (b) Clarify treatment of WMATA.
- (c) Clarify exemptions of Panama Canal, Puerto Rico coverover, military and civilian COLA programs, and VA policy loans.

V. SECTION-BY-SECTION ANALYSIS OF THE ROSTENKOWSKI PROPOSAL

The draft amendment proposes a new title, "TITLE I--BUDGET PROCESS REFORM."

Section 101. References in Title.

Section 101 states that, unless otherwise specifically provided, references made by amendments in the title are to the Balanced Budget and Emergency Deficit Control Act of 1985 (Public Law 99-177; 99 Stat. 1037).

Section 102. Automatic Trigger for Fiscal Years 1988 and 1989: OMB and CBO Reports.

Section 102 of the amendment (which amends Section 251 of the 1985 Balanced Budget Act) extends sequestration by one year--through fiscal year 1992--and revises the means by which sequestration may be triggered. For fiscal years 1988 and 1989, sequestration may be triggered automatically by the issuance of sequestration reports prepared by the Director of the Office of Management and Budget (OMB). For fiscal years 1990 through 1992, the amendment reinstitutes a triggering procedure involving the issuance of sequestration reports prepared by the Comptroller General.

For fiscal years 1988 and 1989, the section eliminates the requirement that the Director of OMB and the Director of the Congressional Budget Office (CBO) jointly issue initial and final sequestration reports to Congress (on August 20 and October 5, respectively), and substitutes a two-step reporting procedure.

First, in the case of initial sequestration reports, the CBO Director issues such report to the OMB Director on August 20. The CBO Director's report must contain the estimates and determinations originally required by the Act and must be based on laws in effect on August 15. Subsequently, the OMB Director issues an initial sequestration report to the President and Congress on September 1, also containing the estimates and determinations originally required by the Act.

The OMB Director must ensure, in preparing the report, that the aggregate outlay rate for defense accounts and the aggregate outlay rate for nondefense accounts do not differ by more than one-half of one percent from such aggregate outlay rates used in the OMB sequestration report for fiscal year 1987. Also, the outlay estimates used in the report for Medicare and the Commodity Credit Corporation may not deviate by more than 5 percent from the outlay estimates for these programs in the President's current services budget.

If, in the OMB report, the aggregate amount of required outlay reductions, and the aggregate amounts of resources to be sequestered from defense and non-defense accounts (by type of sequesterable resource), differ from those in the CBO report, then the OMB report must identify and explain such differences. The OMB report must also identify and explain all instances in which the amount of sequesterable resources for an account differs from the amount indicated in the CBO report by at least one percent (but not less than \$5 million). Finally, in the event that the OMB report is predicated upon different economic or technical assumptions or methodologies than were used by CBO in its report, the OMB report also must set forth the aggregate amounts of defense and non-defense resources to be sequestered using the OMB estimate of the excess deficit, but using the CBO economic and technical assumptions and methodologies.

Second, with respect to revised sequestration reports, the CBO Director issues such report to the OMB Director on October 10, adjusting the initial estimates and determinations to take into account spending or revenue laws enacted after August 15. On October 15, the OMB Director issues a revised sequestration report to the President and Congress, adjusting his initial report to the extent appropriate in light of the revised CBO report. The initial and revised OMB reports must be consistent in terms of the required determinations and comparisons, and the use of assumptions, methodologies, and definitions.

For fiscal years 1990 through 1992, the OMB and CBO Directors jointly issue initial and revised sequestration reports to the Comptroller General on August 20 and October 5, respectively. The Comptroller General issues initial and revised sequestration reports to the President and Congress on August 25 and October 10, respectively.

Section 102 of the amendment also makes conforming amendments in Section 254 of the Act and adds a definition of the term "sequesterable resource" to Section 257 of the Act.

Section 103. Automatic Trigger for Fiscal Years 1988 and 1989: Presidential Order.

Section 103 of the amendment (which amends Section 252 of the 1985 Balanced Budget Act) provides that any presidential sequester orders required for fiscal years 1988 and 1989 shall be based on the report of the OMB Director, and that any such orders required for fiscal years 1990 through 1992 shall be based on the report of the Comptroller General. Section 252 of the Act provides that the President shall issue, if required, an initial sequester order on September 1 (based on an initial sequestration report) and a final sequester order on October 15 (based on a revised sequestration report).

The section also adds a new provision (Section 252(f)) clarifying the application of the final sequester order to part-year appropriations acts in order to ensure that the reduction amounts for the applicable budget accounts, as determined in the final order issued on October 15, are fully achieved. Under the provision, the amount of reduction taken for an account under an appropriations act is pro-rated according to its period of availability during the fiscal year (e.g., one-sixth of the full amount of the required reductions for an account would be made under an act providing appropriations for two months of the fiscal year). Within ten days after a part-year appropriations measure is enacted, the OMB Director must issue a report detailing the reductions made in accordance with this provision.

Section 104. Computation of the Budget Base.

Section 104 of the amendment modifies the criteria in Section 251(a)(6) of the 1985 Balanced Budget Act to be followed by the OMB and CBO Directors and the Comptroller General in making baseline estimates so as to eliminate certain conceptual differences that had arisen previously. In making the baseline estimates, the Directors and the Comptroller General must assume that annually appropriated entitlements will be fully funded; that funds will be provided to cover the costs of Federal civilian and military pay raises in amounts estimated by the President in his budget; that advance farm deficiency payments will be paid according to the fiscal year 1987 schedule; and that asset sales will occur only if a final notice of sale has been published in the Federal Register by August 15.

The section also makes conforming amendments in Section 401(c)(2) of the Congressional Budget Act of 1974.

Section 105. Sequestration Rules for Fiscal Years 1988 Through 1992.

Section 105 of the amendment (which amends Section 251 of the 1985 Balanced Budget Act) provides that the total amount of outlay savings to be achieved through sequestration shall be--

- (1) for fiscal year 1988, the amount of unachieved deficit reduction; and
- (2) for fiscal years 1989 through 1992, the lesser of the deficit excess or the amount of unachieved deficit reduction for the fiscal year (but sequestration shall not be required for fiscal year 1989, 1990, or 1991 if the deficit excess is less than \$10 billion).

The amount of "unachieved deficit reduction" is defined as the amount by which net deficit reduction for a fiscal year, under laws enacted or regulations promulgated after March 1, falls short of \$25 billion, as determined under the baseline estimating procedures established in the Act (the so-called Gradison baseline). Further, the maximum sequestration amount shall not exceed \$36 billion.

Additionally, the section requires that the sequestration reports of the OMB and CBO Directors and the Comptroller General also include estimates of the net amount of deficit reduction in the budget base that has occurred during the year since March 1.

Conforming amendments are made in Sections 251 and 252 of the Act.

Section 106. Compliance Report by Comptroller General.

Section 106 of the amendment (which amends Section 253 of the 1985 Balanced Budget Act) requires the Comptroller General to include, in his November 15 report evaluating whether a presidential sequester order complies with the requirements of the Act, an assessment as to whether the OMB sequestration reports for fiscal years 1988 and 1989 contain the required comparisons with the CBO reports. Additionally, the Comptroller General is required to report to the President and Congress at the close of each calendar quarter on the extent to which a final sequester order is effectively modified by the enactment of appropriations acts after October 10.

Section 107. Exempt Programs and Activities.

Section 107 of the amendment (which amends Sections 255 and 257 of the 1985 Balanced Budget Act) exempts all military personnel accounts, the Commodity Supplemental Food Program account, and the Washington Metropolitan Area Transit Authority account from sequestration. The section also incorporates into the list of specific exemptions contained in the Act certain accounts for veterans programs, Federal retirement and disability programs, and other programs that previously had been exempted from sequestration by other laws.

Section 108. Changes in Special Rules for Medicare Program.

Section 108 of the amendment (which amends Section 256(d) of the 1985 Balanced Budget Act) revises the special rule governing sequestration of Medicare funds so that Medicare reimbursement would be subject to a maximum reduction of 4 percent (instead of the current maximum reduction of 2 percent). Its special rule status and the form of the reduction would not be changed. Providers who charge amounts in excess of the Medicare-approved charge would be prohibited from passing on the payment reductions to beneficiaries. Existing limits on actual charges (the maximum allowable actual charge limits) would be modified by reducing the charge limits by the dollar amount of the corresponding payment reduction.

Section 109. Alternative Procedures.

Section 109 of the amendment (which amends Section 274(f) of the 1985 Balanced Budget Act) amends the "fallback" procedures to make clear that, under such procedures, only the OMB/CBO joint reports from fiscal years 1990 through 1992 (but not the separate OMB and CBO reports for fiscal years 1988 and 1989) would be sent to the Temporary Joint Committee on Deficit Reduction.

Section 110. Permissible Maximum Deficit Amounts.

Section 110 of the amendment extends the expiration date in Section 275 of the 1985 Balanced Budget Act by one year (through fiscal 1992) and amends Section 3(7) of the Congressional Budget Act of 1974 so as to revise the maximum deficit amounts (MDA). The MDA of \$108 billion for fiscal year 1988 is retained; the remaining MDAs are as follows:

FY 1989 -- \$108 billion;
 FY 1990 -- \$ 72 billion;
 FY 1991 -- \$ 36 billion; and
 FY 1992 -- zero.

Additionally, the section amends Section 301(i) of the Congressional Budget Act of 1974 to exempt from a point of order any budget resolution recommending a deficit level in excess of the applicable maximum deficit amount if the accompanying report (or conference report) provides for at least \$25 billion in deficit reductions from the budget base estimate (based on laws in effect on March 1).

Section 111. Printing of Orders.

Section 111 of the amendment adds a new provision to Section 252 of the 1985 Balanced Budget Act requiring that presidential sequester orders to be printed in the Federal Register on the date issued.

Section 112. Establishment of Statutory Limit on the Public Debt.

Section 112 of the amendment (which adds a new Section 312 to the Congressional Budget Act of 1974) establishes Senate procedures for the automatic passage, upon final agreement on a budget resolution, of a House joint resolution modifying the statutory limit on the public debt.

Section 113. Development of Common Baseline Projection.

Section 113 of the amendment (which amends 31 U.S.C. 1105) encourages the OMB and CBO Directors to meet annually to develop a common baseline projection to be used in preparing the President's budget and the congressional budget resolution.

Section 114. Requirement With Respect to Fiscal Year 1989 Budget Submission to Congress.

Section 114 provides that the President's budget for fiscal year 1989 shall include proposed deficits for each of fiscal years 1989 through 1992 that do not exceed the maximum deficit amounts underlying the sequestration process (and thus achieve a balanced budget by fiscal year 1992).

Section 115. Budgetary Treatment of Transactions of the Thrift Savings Plan.

Section 115 provides that in the Federal budget process the receipts, investments, and disbursements of the Thrift Savings Plan created by the Federal Employees Retirement System Act of 1986 and administered by the Federal Retirement Thrift Investment Board shall be treated as transactions of private individuals rather than of the Federal Government.

Section 116. Economic Summit Conference.

States certain findings and the sense of Congress that the President, together with the bipartisan leadership of the House and Senate, shall convene a domestic economic summit conference to deal with budgetary issues.

[This section-by-section analysis of the Rostenkowski proposal is based on draft legislation of July 30, 1987.]

VI. ANALYSES OF THE ROSTENKOWSKI PROPOSAL
BY CBO, CRS AND GAO


CONGRESSIONAL BUDGET OFFICE
U.S. CONGRESS
WASHINGTON, D.C. 20515

August 3, 1987

The Honorable Dan Rostenkowski, Chairman
Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

I am pleased to respond to your questions about your revised draft proposal to amend the Balanced Budget and Emergency Deficit Control Act. The answers reflect the experience of the Congressional Budget Office (CBO) in preparing the sequestration reports for 1986 and 1987.

To what extent are economic assumptions a factor in calculating the amount to be reduced for FY 1988?

For 1988, variations in economic assumptions would have no effect on the amount the deficit is to be reduced, which is set at \$25 billion from the budget base (roughly \$36 billion from the CBO baseline).

The draft proposal also provides that the amount of sequestration would be reduced by the amount of any net deficit reduction enacted. Depending upon the legislation, the estimate of the amount of this deficit reduction might depend upon the economic assumptions used. For example, the amount of REA loan prepayments would depend on the interest rate assumptions.

How much discretion would the President have in calculating the amounts defense accounts are reduced? nondefense accounts?

The Administration would have discretion in computing the amount of the excess deficit for years after 1988 and the amount of deficit reduction enacted. For 1989-1992, the choice of economic assumptions can have a substantial effect on the base deficit estimates, as detailed in CBO's annual report. Once the total amount of sequestration is computed, however, the Administration would have very little discretion in determining its distribution across budget accounts.

Under the Balanced Budget Act, half of any deficit excess is to be eliminated by reductions in defense programs, and half is to come from non-defense programs. The uniform reduction percentages are calculated by dividing these dollar amounts, after subtracting the nondefense savings from automatic spending increase and special rule programs, by total estimated outlays associated with sequesterable budgetary resources. The reductions in budgetary resources equal the amount of sequesterable budgetary resources times the uniform reduction percentages. The proposal constrains the estimate of sequesterable outlays by limiting the variation in assumed spendout rates and in Medicare and farm price support estimates. It limits the estimates of sequesterable budgetary resources as follows.

For defense programs, the bill would exempt military personnel accounts, whereas this was an option for the President in 1986. The bill does not allow any discretion in the reductions by program, project, or activity (PPA), unlike 1986, where he could change the PPA allocations within certain limits. Also, the President would no longer have the discretion to reduce obligated balances in lieu of new budget authority or unobligated balances.

For nondefense programs, about 80 percent of the outlays subject to across-the-board reduction are for appropriated programs. In these cases the sequesterable budgetary resource is a dollar amount specified in an appropriation bill. Most of the remaining nondefense outlays subject to across-the-board reduction--about 15 percent of the total--are for farm price supports. The draft proposal requires that OMB's budgetary resource estimate for farm price supports be within five percent of the current services estimate in the budget.

What are the restrictions which limit OMB discretion?

The bill retains the current provisions of the Balanced Budget Act that divide the automatic reductions evenly between defense and nondefense programs and that require equal percentage reductions within each category. The bill also adds the following new restrictions on OMB discretion:

- o Eliminating the conceptual differences between CBO and OMB in estimating the deficit.
- o Disallowing regulations promulgated after August 15 in computing the deficit.
- o Limiting the maximum sequestration to \$36 billion.
- o Requiring 1988 deficit reduction of \$25 billion from the budget base (roughly \$36 billion from the CBO baseline).
- o Limiting the variation in assumed spendout rates to one-half percent from those used in the 1987 sequestration report.
- o Requiring that outlay estimates for Medicare and farm price supports not vary by more than 5 percent from the current services estimate in the budget.
- o Requiring OMB to explain and analyze deviations from the CBO report.
- o Eliminating the option to sequester defense obligated balances.
- o Expanding the scope of the GAO compliance report.

To what extent can OMB change the spending priorities of the Congress; e.g., could OMB reduce Legal Services substantially to protect foreign aid?

Under the proposal, all nondefense programs not subject to special rules would be reduced by the same percentage. For example, the Legal Services appropriation could be reduced by no more than appropriations for foreign assistance.

How much would the budget authority in defense accounts be reduced in FY 1988, assuming maximum sequestration? non-defense accounts? How would CBO and OMB estimates compare?

The proposal specifies a maximum sequestration of \$36 billion. For defense programs, CBO estimates that \$36.9 billion in budget authority and \$8.2 billion in unobligated balances would have to be sequestered to achieve outlay savings of \$18 billion. Using the outlay rates specified in the proposal, we expect OMB would estimate that \$37.8 billion of budget authority and \$8.2 billion of unobligated balances would have to be sequestered to save the same amount.

For nondefense programs, CBO estimates that a reduction of \$32.4 billion in spending authority (new budget authority, obligation limitations, and other spending authority) would be required. Based on our experience in 1987, we expect that OMB's estimate would differ by less than \$0.5 billion.

What is the maximum allowable variation in these budget authority reductions as could be computed by OMB?

By varying its aggregate outlay rate by one-half percent, OMB could vary the sequestration of defense budget authority by no more than \$0.2 billion. By varying its Medicare and farm price support estimates as well as its aggregate outlay rate, OMB could vary the sequestration of nondefense spending authority by up to \$0.5 billion.

Sincerely,



Edward M. Gramlich
Acting Director



Congressional Research Service
The Library of Congress

Washington, D.C. 20540

3 August 87

TO : House Ways and Means Committee
Attention: Wendell Primus

FROM : Robert Keith
Specialist in American National Government
Government Division

SUBJECT : Restraints on Executive Discretion in the Sequestration
Process as Modified by the Rostenkowski Proposal

This memorandum briefly examines the restraints on executive discretion in the sequestration process under the 1985 Balanced Budget Act, as it would be modified by the Rostenkowski proposal, with particular focus on actions occurring after the "excess deficit" has been calculated. ^{1/} Under the Act, the Office of Management and Budget (OMB) and the Congressional Budget Office (CBO) jointly issue sequestration reports to Congress (in which any differences in their estimates are averaged) determining whether there is an "excess deficit" and calculating the necessary spending reductions to eliminate such an excess. The sequestration process may be invoked if Congress enacts, under "fallback" procedures, a joint resolution setting forth the contents of the OMB/CBO joint report. If invoked, the sequestration process requires that the President issue a sequester order making spending reductions consistent with the OMB/CBO joint report.

^{1/} This analysis of the Rostenkowski proposal is based on a discussion draft amendment (July 30, 1987) and a fact sheet, "Specifications for GRH Amendments."

Under existing law, OMB (as well as CBO) is afforded significant discretion in estimating the amount of the "excess deficit" and other baseline amounts for a fiscal year, primarily in that it can use its own economic assumptions. Beyond this, the Act specifies the methodology and certain technical assumptions to be used in making baseline estimates and requires, where differences occur, that OMB estimates be averaged with the CBO estimates. The Rostenkowski proposal eliminates the averaging requirement for fiscal years 1988 and 1989 (instead of a joint report, CBO reports to OMB, which in turn reports to the President and Congress), but limits the amount of required outlay reductions that may be identified in a sequestration report to \$36 billion (and a potentially lesser amount referred to as the amount of "unachieved deficit reduction").

Once these estimates have been made, further actions by the executive to implement the sequestration process are constrained under the Act at each stage of activity. Indeed, much of the length and complexity of the Act derives from the many standards and rules placed in the legislation to circumscribe and control executive actions. The chief aim of these restraints is to ensure that spending reductions are made uniformly across the range of the thousands of individual programs covered by the process. With regard to these implementing actions, the Rostenkowski proposal retains the major features that restrain executive discretion and adds certain features that restrain executive discretion further. (These features are discussed in more detail below.)

Background

The Balanced Budget and Emergency Deficit Control Act of 1985 (Public Law 99-177), commonly referred to as the 1985 Balanced Budget Act or the Gramm-Rudman-Hollings Act, sets goals for the steady reduction of the deficit so that the Federal budget will be in balance by fiscal year 1991. The Act establishes a "maximum deficit amount" for each of six consecutive fiscal years, beginning with \$171.9 billion for fiscal year 1986, dropping to \$144 billion for fiscal year 1987, and declining by \$36 billion a year thereafter.

Additionally, the Act contains emergency procedures, known generally as sequestration, to eliminate any part of the deficit for a fiscal year in excess of the maximum amount allowed (in the case of fiscal years 1987 through 1990, the Act provides that the projected deficit must exceed the maximum deficit amount by at least \$10 billion in order to trigger the sequestration procedures).

As originally framed, the 1985 Balanced Budget Act established an automatic spending-reduction process that would be triggered if the Comptroller General issued to the President a sequestration report projecting an excess deficit. Court rulings in 1986 invalidated the Comptroller General's role in the triggering procedure, thereby bringing into play "fallback" procedures in the Act that allow Congress to invoke sequestration by enacting a joint resolution conforming to the OMB/CBO sequestration report.

Under the current sequestration process, the executive performs three basic functions for each of the fiscal years covered by the Act: (1) OMB prepares jointly with CBO an initial and a final sequestration report; (2) the President issues an initial and final sequester order, if required to do so by the "fallback" procedures; and (3) executive agencies implement spending reductions as directed by the presidential sequester orders. Restraints on executive discretion in the sequestration process, in existing law and as proposed by the Rostenkowski amendment, are discussed below according to these three stages of activity.

Preparation and Issuance by OMB of Sequestration Reports

Under existing law, OMB and CBO jointly issue initial (August 20) and final (October 5) reports that may be used to trigger sequestration under the fallback procedures involving the enactment of a joint resolution. The Rostenkowski proposal modifies this approach for fiscal year 1988 and 1989 by making CBO report to OMB (on August 20 and October 10), which in turn reports to the President (on September 1 and October 15). In these two years, the OMB report could automatically trigger a presidential sequester order. (Additionally, the Rostenkowski proposal extends the goal of budgetary balance by one year, to fiscal year 1992, and

reinststitutes a triggering procedure involving the Comptroller General for fiscal years 1990 through 1992.)

In preparing an initial or final sequestration report under current law, OMB is constrained by statutory provisions pertaining to the coverage of the process, the definition of budgetary resources, the methodology for constructing baseline estimates, and rules for determining sequestration calculations. All of these features are retained by the Rostenkowski proposal.

First, many specific programs or types of activities that are exempt from sequestration are listed, in some cases by budget account title and number, in Section 255; also, programs in which only the yearly "automatic spending increase" is subject to reduction are similarly listed in Section 257. ^{2/} (The President was given authority for fiscal year 1986 only to exempt military personnel accounts.)

Second, budgetary resources (the object of the spending reductions, which yield estimated outlay savings) are defined for defense and nondefense programs. For example, new budget authority is a budgetary resource for both types of programs, while unobligated balances are a budgetary resource for defense programs but not nondefense programs.

Third, the method of constructing the baseline estimates is set forth in detail. Section 251(a)(6), for example, provides that current law shall be assumed to continue with respect to revenues and entitlements, that the past year's level of appropriations shall be assumed if the appropriations for the new fiscal year have not yet been enacted, and that Federal pay adjustments shall be assumed at the levels recommended by the President (within certain limitations).

Fourth, the rules for determining sequestration calculations are stipulated in considerable detail. For example, one-half of

^{2/} Many of the "automatic spending increase" programs listed in this section have been exempted from sequestration by Section 7001 of Public Law 99-509, the Omnibus Budget Reconciliation Act of 1986.

the outlay savings must come from defense programs, and the other one-half must come from nondefense programs. The amount of savings from covered programs with automatic spending increases is calculated and the savings are credited equally to defense and nondefense programs. For defense programs, the remaining required savings are achieved by applying a uniform reduction percentage to the covered accounts. For nondefense programs, calculations of savings from specified programs covered by special rules are made next, then the remaining required savings are achieved by applying a uniform reduction percentage to the covered accounts.

The final sequestration report must reflect changes attributable to laws enacted in the interim since the initial report was issued and must be based on the same assumptions and methodologies employed in preparation of the initial report.

The Rostenkowski proposal clarifies certain applicable provisions of the Act (e.g., with regard to constructing the baseline estimates, it resolves some of the major conceptual disagreements between OMB and CBO by directing them to assume that annually appropriated entitlement programs are fully funded, that funds for Federal pay raises are included, that advance farm deficiency payments are paid, and that asset sales will occur only if a final notice of sale is published in the Federal Register by August 15).

Also, the proposal imposes new restrictions (such as providing that the amount of excess deficit indicated in a sequestration report not exceed \$36 billion, and requiring that OMB not assume aggregate outlay rates for defense and nondefense programs that deviate by more than one-half percent from those used in the OMB/CBO sequestration reports for fiscal year 1987); adds to the list of exemptions (principally military personnel accounts); and alters special rules for making calculations (increasing the limit on Medicare reductions from 2 to 4 percent).

Finally, the proposal requires that OMB identify and explain in detail any significant differences between its estimates and calculations and those of CBO (using the same economic and technical assumptions and methodologies as were used by CBO).

Issuance by the President of a Sequester Order

Section 252 of the Act directs the President to issue a sequester order based on an initial or final sequestration report (or, as Section 274(f) provides, an initial or final sequestration resolution enacted under the fallback procedures) ^{3/} and that it "must be consistent with such report [or resolution] in all respects." The order must provide for reductions in accounts as specified in the sequestration report (or resolution), and must provide for uniform reductions within accounts for each "program, project, and activity" (for programs funded by annual appropriations) or "budget activity" (for programs funded by other means). ^{4/}

Section 252(a)(3) states in part:

The President may not modify or recalculate any of the estimates, determinations, specifications, bases, amounts, or percentages set forth in the report . . . in determining the reductions to be specified in the order with respect to programs, projects, and activities, or with respect to budget activities, within an account . . .

Congress included in Section 252 two provisions of a general nature intended to circumscribe further the President's authority in the process.

^{3/} Upon the issuance of an initial sequester order, the President must send a message to Congress providing supporting details. Section 252(c) authorizes the President to submit, as part of such a message, an alternative plan for deficit reduction. The plan is advisory; the Act provides no procedures for its consideration.

^{4/} Programs, projects, and activities (PPAs) in defense accounts are specified in the sequestration report; PPAs for nondefense programs are defined in annual appropriations acts and accompanying documentation. Budget activities are defined in the appendix to the President's budget.

CRS-7

Section 252(d) provides:

No action taken by the President under subsection (a) or (b) of this section shall have the effect of eliminating any program, project, or activity of the Federal Government.

Section 252(e) provides:

Nothing in the preceding provisions of this section shall be construed to give the President new authority to alter the relative priorities in the Federal budget that are established by law, and no person who is or becomes eligible for benefits under any provision of law shall be denied eligibility by reason of any order issued under this part.

The Rostenkowski proposal leaves these provisions intact and imposes an important new restriction by barring the President from issuing a sequester order if Congress has enacted during the year legislation achieving net deficit reduction of at least \$25 billion. A determination of the net deficit reduction achieved through legislative action is made by OMB in its sequestration reports, according to methodology for constructing baseline estimates already prescribed in the Act. (The restriction that the amount of excess deficit indicated in a sequestration report may not exceed \$36 billion also serves to limit the size of the deficit reduction that the President may direct in a sequester order.)

Implementation of the Sequester Order by Executive Agencies

Under existing sequestration procedures, executive agencies must immediately carry out the presidential sequester order by making the required reductions in programs, projects, and activities (PPAs) or budget activities. Defense PPAs are specified in the sequestration report; for nondefense PPAs or budget activities, agencies must make the reductions in accordance with the definitions provided in annual appropriations acts and accompanying documentation, or the appendix to the President's

budget, as appropriate. The Rostenkowski proposal does not alter this formulation.

The amount of discretion afforded agencies in making the reductions within each account depends on the degree to which the PPAs or budget activities have been specified. In implementing the fiscal year 1986 sequester order, for example, the Department of Health and Human Services reduced each of its accounts subject to the uniform reduction by the required 4.3 percent. In one covered account--the Centers for Disease Control--\$20 million in reductions (4.3 percent of about \$470 million in total funding) were applied evenly to 23 separate PPAs. In the case of the Federal Bureau of Investigation (FBI), however, more than 90 percent of its funding was in a single PPA. Although that PPA was reduced by the required 4.3 percent, the FBI was able to reduce elements within the one large PPA by widely varying amounts--investigative programs by 1.6 percent and technical field support and equipment by 22 percent. 5/

Section 253 of the Act requires the Comptroller General to issue a report by November 15 (April 1 in the case of 1986) reviewing agency compliance with the sequester order. In the compliance report for the fiscal year 1986 sequester, the Comptroller General concluded that, despite minor problems, "the correct amounts of budgetary resources were removed from all budget accounts" and that the goals of the Act were "substantially fulfilled." 6/

The Rostenkowski proposal augments the requirement for a compliance review by the Comptroller General. In addition to reviewing the implementation of a sequester order, he must also review whether the OMB sequestration report accurately set forth the differences with the CBO report.

5/ Department of Justice Appropriation Authorization Act, Fiscal Year 1987, House Report No. 99-611 (May 22, 1986), page 9.

6/ Compliance Report for FY 1986: Balanced Budget and Emergency Deficit Control Act of 1985. Report No. GAO/OCC-86-2. March 31, 1986.



Comptroller General
of the United States
Washington, D.C. 20548

July 20, 1987

The Honorable Dan Rostenkowski
Chairman, Committee on Ways
and Means
House of Representatives

Dear Mr. Chairman:

This is in response to your request that we give you our assessment of the extent of the discretion vested in the President and the Director of the Office of Management and Budget (OMB) in implementing their responsibilities under the Balanced Budget and Emergency Deficit Control Act of 1985.

Implementation of the Act as it is presently structured requires adherence to a detailed set of requirements specified in the Act. Notwithstanding this detailed guidance, implementing the Act still requires forecasting and estimating, two important areas which are left to the professional judgment of the implementers. The development of the underlying economic forecast and estimating the effect of that forecast on the budget, and particularly on revenues, involves a substantial element of discretion. Prior experience under the Act makes it clear that judgments in this area can materially affect the estimate of the deficit and thus the size of any required sequester.

Outlay estimating involves such matters as spendout rates in appropriated programs and the projected requirements of entitlement programs. In this case, too, the exercise of judgment can have a material effect on the amount of the required sequester, if any.

It is important to recognize the extent to which small differences in the forecasts and estimates are magnified by the way the Act operates. For example, a one percent difference in revenue estimates is quite small under most circumstances. Yet that one percent change can represent a difference in the deficit of almost \$10 billion, with very material effects on the amount of any required sequester.

The discretion available to the President and OMB with regard to the economic forecasts, the revenue estimates and the outlay estimates would affect primarily the amount of any required sequester, rather than its allocation among programs. The way the calculations are required to be performed, particularly the fixed distribution of the reductions between defense and non-defense programs, severely constrains the ability to shift the burden of

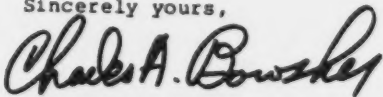
the reductions between those groups of programs. For example, lowering the estimated spendout rate for one group of programs could reduce the estimated deficit and thus reduce the overall sequester required to achieve the target. However, if a sequester were still required, the lowered spendout rate would automatically generate a higher percentage sequester against the budgetary resources supporting that group of programs.

We see no lawful way in which the burden of a sequester could be shifted in any material fashion from defense to non-defense programs or vice versa. Nor does there appear to us to be any way under this Act to shift the burden among accounts within those groups. Once the requirement for a sequester has been determined, the same percentage reduction must be made in all sequesterable budgetary resources within each broad category of programs. As the Act is currently written, it would not permit applying one percentage reduction rate to Legal Services budgetary resources, for example, while applying another to Foreign Assistance.

In our view, in the absence of changes in the Act to authorize such action, sequestering an amount in excess of the uniform percentage rate would be a rescission under the Impoundment Control Act. Spending funds in excess of that remaining after applying the required percentage reduction would violate the Economy Act, which prohibits the obligation of funds in excess of amounts appropriated. These constraints, of course, would apply to the implementation of the Act, itself. They would not preclude such actions as reprogramming, subsequent rescissions, or supplemental appropriations, any of which might have the effect of materially altering the results after the sequester process is completed.

Please let us know if we can be of any further assistance in this matter.

Sincerely yours,



Charles A. Bowsher
Comptroller General
of the United States

NOTE: THIS LETTER DOES NOT REFLECT THE CHANGES
MADE IN THE PROPOSAL RELATING TO THE SEQUESTRATION
AMOUNT FOR FISCAL YEAR 1988.

VII. DRAFT LANGUAGE

JULY 30, 1987

AMENDMENT

1 TITLE I--BUDGET PROCESS REFORM

2 SEC. 101. REFERENCES IN TITLE.

3 Except as otherwise specifically provided, whenever in
4 this title an amendment is expressed in terms of an amendment
5 to or repeal of a section or other provision, the reference
6 shall be considered to be made to that section or other
7 provision of the Balanced Budget and Emergency Deficit
8 Control Act of 1985.

9 SEC. 102. AUTOMATIC TRIGGER FOR FISCAL YEARS 1988 AND 1989:

10 OMB AND CBO REPORTS.

11 (a) DIRECTORS' REPORTS FOR FISCAL YEARS 1990, 1991, AND
12 1992.--Section 251(a)(2) of the Act is amended by striking
13 out "The" and by inserting in lieu thereof "(A) In the
14 case of fiscal years 1990, 1991, and 1992, based on the
15 estimates and determinations required in paragraph (1),
16 the";

17 (b) REPORTS OF EACH DIRECTOR FOR FISCAL YEARS 1988 AND
18 1989.--(1) Section 251(a)(2) of the Act is amended by
19 inserting at the end thereof the following:

20 "(B)(i) In the case of fiscal years 1988 and

1 1989, the Director of the Congressional Budget Office
2 (in this part referred to as the 'Director of CBO')
3 shall issue a report to the Director of OMB on August
4 20 of the calendar year in which the fiscal year
5 begins containing the information required in
6 subparagraph (A) for such fiscal year.

7 "(ii)(I) In the case of fiscal years 1988 and
8 1989, the Director of the Office of Management and
9 Budget (in this part referred to as the 'Director of
10 OMB') shall issue a report to the President and the
11 Congress on September 1 of the calendar year in which
12 the fiscal year begins containing the information
13 required in subparagraph (A) for such fiscal year. In
14 addition, if the report is predicated upon different
15 economic or technical assumptions or methodologies
16 than those utilized by the Director of CBO in the
17 preparation of the report issued under clause (i) for
18 the fiscal year, then the report issued under this
19 clause shall also set forth, by sequesterable
20 resource, for non-defense programs and, by
21 sequesterable resource, for defense programs the
22 amount of reductions taken in accordance with the
23 succeeding provisions of this part (as estimated by
24 the Director of OMB) for the fiscal year but
25 utilizing the same economic and technical assumptions

1 and methodologies as the report issued under clause
2 (i) for the fiscal year, and, if different from the
3 amount of reductions calculated pursuant to the first
4 sentence of this clause, shall identify and explain
5 all resulting differences. If the amounts calculated
6 in the preceding sentence for aggregate defense
7 sequesterable resources and aggregate non-defense
8 sequesterable resources differ from the estimates of
9 the Director of OMB for aggregate defense
10 sequesterable resources and aggregate non-defense
11 sequesterable resources, then the report issued under
12 this clause shall explain the reasons for such
13 difference. If the aggregate amount of required
14 outlay reductions is different from such amount as
15 set forth in the report issued under clause (i) for
16 the fiscal year, then the report issued under this
17 clause shall explain the reasons for such difference.
18 If the aggregate amount of resources to be
19 sequestered from defense accounts by type of
20 sequesterable resource or from non-defense accounts
21 by sequesterable resource differs from the amounts to
22 be sequestered under the report issued under clause
23 (i), then the report issued under this clause shall
24 explain the reasons for such difference. If the
25 sequesterable resource for any account which is to be

1 reduced under this report differs by at least
2 \$5,000,000 and 1 percent from the amount for the same
3 account under the report issued under clause (i) for
4 the fiscal year, then the report issued under this
5 clause shall identify and explain each such
6 difference.

7 "(II) In the report for a fiscal year issued
8 under this clause, the Director of OMB shall ensure
9 that the aggregate outlay rate for defense programs,
10 calculated using data on sequesterable resources and
11 account outlay rates applicable to such fiscal year,
12 shall not differ by more than one-half of 1
13 percentage point from such aggregate outlay rate
14 calculated using the same data on sequesterable
15 resources but using account outlay rates based on the
16 data contained in the report submitted under this
17 paragraph for fiscal year 1987 as proposed by the
18 Director of OMB. The restrictions in this clause
19 regarding aggregate defense outlay rates shall apply
20 in the same manner to aggregate non-defense outlay
21 rates. For purposes of this clause, an aggregate
22 outlay rate shall be the average of account outlay
23 rates (expressed as a percentage) with each account
24 outlay rate given a weight that is proportional to
25 its share of total sequesterable resources. An

1 account outlay rate shall be the ratio of
2 sequesterable outlays to sequesterable resources for
3 a budget account.

4 “(III) The report issued under this clause for
5 any fiscal year may not assume aggregate outlays for
6 Medicare or the Commodity Credit Corporation either
7 of which deviates by more than 5 percent from the
8 amount estimated for such program in the current
9 services budget submitted by the President pursuant
10 to section 1109(a) of title 31, United States Code,
11 for such fiscal year not taking into account
12 legislation enacted or regulations prescribed after
13 such report is submitted. In the case of the
14 Commodity Credit Corporation, if the current services
15 budget does not assume advance deficiency payments
16 are made to producers of wheat, feed grains, cotton,
17 and rice, then for purposes of this subclause, the
18 current services budget shall be adjusted to assume
19 such payments.

20 “(IV) The calculations of the excess deficit,
21 the required outlay reductions, and the amounts and
22 percentages by which budget accounts must be reduced
23 shall each be based upon the same economic and
24 technical assumptions.”.

25 (2) Section 257 of the Act is amended by inserting at the

1 end thereof the following:

2 “(9) The term ‘sequesterable resource’ means new
3 budget authority, unobligated balances, obligated
4 balances, new loan guarantee commitments, new direct loan
5 obligations, and spending authority as defined in section
6 401(c)(2) of the Congressional Budget Act of 1974 for
7 programs, projects, and activities that are not exempt
8 from a reduction or sequestration under this part.”.

9 (c) REPORT TO PRESIDENT AND CONGRESS BY COMPTROLLER
10 GENERAL FOR FISCAL YEARS 1990, 1991, AND 1992.--Section
11 251(b)(1) of the Act is amended by striking out “The” and
12 by inserting in lieu thereof “In the case of fiscal years
13 1990, 1991, and 1992, the”;

14 (d) REVISED ESTIMATES, DETERMINATIONS, AND REPORTS.--
15 - (1) REPORT BY OMB AND CBO FOR FISCAL YEARS 1990,
16 1991, AND 1992.--Section 251(c)(1) of the Act is
17 amended--

18 (A) by inserting “FOR FISCAL YEARS 1990, 1991,
19 AND 1992” after “CBO” in its side heading; and

20 (B) by striking out “On October 5 of the fiscal
21 year (except in the case of the fiscal year 1986)”
22 and by inserting in lieu thereof “On October 5 of
23 fiscal years 1990, 1991, and 1992”.

24 (2) REPORT BY COMPTROLLER GENERAL FOR FISCAL YEARS
25 1990, 1991, AND 1992.--Section 251(c)(2) of the Act is

1 amended--

2 (A) by inserting ``FOR FISCAL YEARS 1990, 1991,
3 AND 1992`` after ``COMPTROLLER GENERAL`` in its side
4 heading; and

5 (B) by striking out ``On October 10 of the fiscal
6 year (except in the case of the fiscal year 1986)``
7 and by inserting in lieu thereof ``On October 10 of
8 fiscal years 1990, 1991, and 1992``.

9 (3) REPORT BY CBO AND OMB FOR FISCAL YEARS 1988 AND
10 1989.--Section 251(c) is amended by inserting at the end
11 thereof the following:

12 `` (3) REPORTS BY CBO FOR FISCAL YEARS 1988 AND
13 1989.--On October 10 of fiscal years 1988 and 1989, the
14 Director of CBO shall issue a revised report to the
15 Director of OMB--

16 `` (A) indicating whether and to what extent, as a
17 result of laws enacted after August 15 of the
18 calendar year in which the fiscal year begins, the
19 aggregate amount of required outlay reductions
20 identified in the report submitted under such
21 subsection has been eliminated, reduced, or
22 increased, and

23 `` (B) adjusting the determinations made under
24 subsection (a)(2)(B)(i) to the extent necessary.

25 `` (4) REPORTS BY OMB FOR FISCAL YEARS 1988 AND

1 1989.--On October 15 of fiscal years 1988 and 1989, the
 2 Director of OMB shall submit to the President and the
 3 Congress a report revising the report issued under
 4 section 251(a)(2)(B)(ii), adjusting the estimates,
 5 determinations, and specifications contained in the
 6 report to the extent appropriate in light of the revised
 7 report issued by the Director of CBO under paragraph
 8 (3)(A). This report shall contain all of the
 9 determinations and comparisons required in, and shall be
 10 based on the same economic and technical assumptions,
 11 employ the same methodologies, and utilize the same
 12 definition of the budget base and the same criteria and
 13 guidelines as, the report issued under section
 14 251(a)(2)(B)(ii).''.

15 - (4) CONFORMING AMENDMENTS.--(A) Section 254(b)(1)(A)
 16 of the Act is amended by inserting ``or by the Director
 17 of OMB under section 251(c)(4)'' after ``section
 18 251(c)(2)''.

19 (B) The first sentence of section 251(a)(5) is
 20 amended by striking out ``The'' and by inserting in lieu
 21 thereof ``In the case of fiscal year 1990, 1991, or 1992,
 22 the''.

23 SEC. 103. AUTOMATIC TRIGGER FOR FISCAL YEARS 1988 AND 1989:
 24 PRESIDENTIAL ORDER.

25 (a) ISSUANCE OF INITIAL ORDER.--Section 252(a)(1) of the

1 Act is amended by inserting after ``section 251(b)`` the
 2 following: ``in the case of fiscal year 1990, 1991, 1992, or
 3 following the submission of the report by the Director of OMB
 4 under section 251(a)(2)(B)(ii) in the case of fiscal year
 5 1988 or 1989`` and by inserting a comma after ``September
 6 1``.

7 (b) ISSUANCE OF FINAL ORDER.--

8 (1) IN GENERAL.--Section 252(b)(1) of the Act is
 9 amended--

10 (A) by inserting after ``section 251(c)(2)`` the
 11 first time it appears therein the following: ``in the
 12 case of fiscal year 1990, 1991, or 1992 or following
 13 the submission of the report by the Director of OMB
 14 under section 251(c)(4) in the case of fiscal year
 15 1988 or 1989``;

16 (B) by inserting after ``section 251(c)(2)`` the
 17 second and third times it appears therein the
 18 following: ``or by the Director of OMB in the revised
 19 report submitted under section 251(c)(4), as the case
 20 may be``, and by inserting a comma before ``but`` in
 21 the first sentence thereof;

22 (C) by inserting ``or section 251(c)(4), as the
 23 case may be,`` after ``section 251(c)(2)`` the fourth
 24 time it appears therein; and

25 (D) by inserting ``or section 251(a)(2)(B)(ii),

as the case may be," after "section 251(b)".

(2) ORDER REQUIRED IF NECESSARY REDUCTIONS ARE
MADE.--Section 252(b)(2) of the Act is amended--

(A) by inserting after "section 251(c)(2)" the
following: "in the case of fiscal year 1990, 1991,
or 1992, or the Director of OMB issues a revised
report under section 251(c)(4) in the case of fiscal
year 1988 or 1989"; and

(B) by inserting "or the Director of OMB under
section 251(a)(2)(B)(ii), as the case may be," after
"section 251(b)".

(c) CONFORMING AMENDMENT.--Section 252(a)(3) of the Act
is amended by inserting "OR DIRECTOR OF OMB'S REPORT" after
"REPORT" in its side heading and by inserting "or section
251(a)(2)(B)(ii) (as the case may be)" after "section
251(b)" in its first sentence.

(d) SEQUESTRATION OF PART-YEAR APPROPRIATIONS.--Section
252 of the Act is amended by inserting at the end thereof the
following new subsection:

"(f) PART-YEAR APPROPRIATIONS.--

"(1) EFFECT OF FINAL ORDER ON PART-YEAR
APPROPRIATION.--If, at the time the President issues a
final order for any fiscal year, there is in effect an
Act making or continuing appropriations for part of the
fiscal year for any budget account which is subject to

1 reduction under the order, then the amount sequestered
2 upon issuance of the order for that account shall be
3 equal to the reduction amount for such account required
4 by the final order multiplied by a fraction the numerator
5 of which is the number of days during the fiscal year
6 with respect to which the Act applies and the denominator
7 of which is 365.

8 “(2) EFFECT OF SUBSEQUENT APPROPRIATION ON FINAL
9 ORDER.--(A) If, after the issuance of a final order for a
10 fiscal year under subsection (b), an Act referred to in
11 paragraph (1) is extended or an Act making or continuing
12 appropriations for part of the fiscal year for the
13 account is enacted, then additional amounts determined in
14 the same manner shall be sequestered. Upon enactment of a
15 full-year appropriation (including a continuing
16 appropriation for the full year) for the account the full
17 amount of the reduction required by the final order,
18 adjusted to take account of amounts already cancelled,
19 shall be sequestered.

20 “(B) The Director of OMB shall issue a report
21 detailing the amounts, by budget account, sequestered
22 under this paragraph, not later than the close of the
23 10th calendar day beginning after the date of enactment
24 of any Act referred to in this paragraph.

25 “(3) EFFECTIVE DATE OF SEQUESTRATIONS.--Amounts

1 required to be sequestered by the President under
2 paragraph (1) or (2) shall be sequestered not later than
3 the close of the fifth calendar day beginning after the
4 date of enactment of the relevant Act referred to in
5 paragraph (1) or (2).''.

6 SEC. 104. COMPUTATION OF THE BUDGET BASE.

7 (a) AMENDMENTS TO THE BUDGET BASE.--Section 251(a)(6) of
8 the Act is amended--

9 (1) by striking out subparagraph (A) and by inserting
10 in lieu thereof the following:

11 ''(A) assuming (subject to subparagraph (C)) the
12 continuation of current revenue law and, in the case
13 of spending authority as defined in section 401(c)(2)
14 of the Congressional Budget Act of 1974, funding for
15 current authorization laws at levels sufficient to
16 fully make all payments authorized or required under
17 such laws to all individuals or entities authorized
18 to receive such payments;''

19 (2) in subparagraph (D) by striking out clause (i)
20 and by inserting in lieu thereof the following: ''(i)
21 that, in addition to amounts specified in subparagraphs
22 (A), (B), and (C), appropriations to cover the costs of
23 Federal pay adjustments for statutory pay systems and
24 elements of military pay will be in the amounts estimated
25 by the President in the most recent budget transmission

1 under section 1105 or section 1106 of title 31, United
 2 States Code (but shall not be negative amounts); and";
 3 and

4 (3) by striking out "and" at the end of
 5 subparagraph (C), by striking out the period at the end
 6 of subparagraph (D) and inserting in lieu thereof a
 7 semicolon, and by adding at the end thereof the following
 8 new subparagraphs:

9 "(E) assuming that all advance deficiency
 10 payments to producers of wheat, feed grains, cotton,
 11 and rice under the Agricultural Act of 1949 are paid
 12 pursuant to the same payment schedule that existed
 13 for such payments in fiscal year 1987; and

14 "(F) assuming that the sale of an asset by the
 15 Federal Government will occur during a fiscal year
 16 only if a final notice of sale during such fiscal
 17 year (including a description of the asset to be sold
 18 and the date of the sale) is published in the Federal
 19 Register by August 15 of the calendar year in which
 20 such fiscal year begins."

21 (b) CONFORMING AMENDMENT TO THE CONGRESSIONAL BUDGET ACT
 22 OF 1974.--Section 401(c) of the Congressional Budget Act of
 23 1974 is amended by inserting at the end thereof the following
 24 new paragraph:

25 "(3) For purposes of paragraph (2)(C), the term

1 'payments' also includes payments to any person or
2 government that are required under terms of an
3 authorization law, notwithstanding the existence or level
4 of annual appropriations in satisfaction of such
5 requirement.''.
6

7 SEC. 105. SEQUESTRATION RULES FOR FISCAL YEARS 1988 THROUGH
8 1992.

9 (a) MAXIMUM AMOUNT SUBJECT TO SEQUESTRATION.--That part
10 of section 251(a)(3) of the Act which precedes subparagraph
11 (B) is amended to read as follows:

12 "(3) DETERMINATION OF REDUCTIONS.--(A) The aggregate
13 amount of required outlay reductions and the amounts and
14 percentages by which budget accounts must be reduced for
15 a fiscal year shall be determined as follows:

16 - "(i) The aggregate required outlay reductions
17 shall be--

18 "(I) zero for fiscal year 1989, 1990, or
19 1991 if the excess deficit for such fiscal year
20 is less than \$10,000,000,000;

21 "(II) zero for fiscal year 1992 if there is
22 no excess deficit; or

23 "(III) the amount of unachieved deficit
24 reduction for fiscal year 1988, or the lesser of
25 the deficit excess or the amount of unachieved
deficit reduction for fiscal year 1989, 1990,

1 1991, or 1992.

2 The unachieved deficit reduction for a fiscal year
3 shall be the amount, if any, by which net deficit
4 reduction for a fiscal year falls short of
5 \$25,000,000,000, but such unachieved deficit
6 reduction shall not exceed \$36,000,000,000. Net
7 deficit reduction for a fiscal year shall be the
8 amount of the estimated deficit for such fiscal year
9 based on laws in effect on, and regulations
10 prescribed by, August 15 (in the case of initial
11 reports submitted under subsection (a)), October 5
12 (in the case of the final reports submitted under
13 subsection (c)) for fiscal year 1990, 1991, and 1992,
14 or October 10 (in the case of final reports submitted
15 under subsection (c) for fiscal year 1988 and 1989)
16 of the calendar year in which such fiscal year
17 begins, as measured by using the budget base
18 specified in paragraph (6), subtracted from the
19 amount of the estimated deficit for such fiscal year
20 based on laws and regulations in effect on March 1 of
21 such calendar year as measured by using the budget
22 base specified in paragraph (6). Both such deficit
23 estimates for a fiscal year shall be made using the
24 same economic and technical assumptions.

25 “(ii) The amounts and percentages by which

1 budget accounts must be reduced for a fiscal year
2 shall be calculated by dividing the aggregate amount
3 of required outlay reductions into halves.".

4 (b) CONFORMING AMENDMENTS.--

5 (1) Section 251 of the Act is amended--

6 (A) in subsection (a)(1) by striking out "and"
7 at the end of subparagraph (B), by redesignating
8 subparagraph (C) as subparagraph (D), and by
9 inserting after subparagraph (B) the following new
10 subparagraph:

11 "(C) estimate the amount of net deficit reduction in
12 the budget base that has occurred since March 1 of the
13 calendar year in which such fiscal year begins, and";

14 (B) in subsection (a)(2)(A) by inserting
15 "estimating the amount of net deficit reduction in
16 the budget base that has occurred since March 1 of
17 the calendar year in which such fiscal year begins,"
18 before "specifying" the first place it occurs
19 therein;

20 (C) in subsection (a)(3)(B) by striking out "the
21 reductions necessary to eliminate one-half of the
22 deficit excess for the fiscal year (as adjusted under
23 subparagraph (A)(ii) in the case of fiscal year
24 1986)" and inserting in lieu thereof "one-half of
25 the required outlay reductions", and by striking out

1 "the reductions necessary to eliminate the other
2 half of the deficit excess (or the adjusted deficit
3 excess, in the case of fiscal year 1986)" and
4 inserting in lieu thereof "the other half of the
5 required outlay reductions";

6 (D) in subsection (a)(3) by repealing
7 subparagraphs (C), (D), and (E) and by inserting in
8 lieu thereof the following new subparagraph:

9 "(C) The maximum amount by which outlays for
10 automatic spending increases scheduled to take effect
11 during the fiscal year are to be reduced shall be
12 determined."

13 (E) in subsection (a)(3) by redesignating
14 subparagraph (F) as subparagraph (D) and by amending
15 such clause (i) of such subparagraph by striking out
16 the dash and subclauses (I) and (II) and by inserting
17 in lieu thereof "the amount of the reductions
18 determined under subparagraph (C)";

19 (F) in subsection (a)(4)(A) by striking out "the
20 amount by which" and all that follows thereafter
21 through "of that section),"

22 (G) in subsection (b)(1) by inserting
23 "estimating the amount of net deficit reduction in
24 the budget base that has occurred since March 1 of
25 the calendar year in which such fiscal year begins,"

1 before ``specifying`` the first place it occurs
2 therein;

3 (H) in subsection (b)(1) by striking out
4 ``eliminate such deficit excess (or adjusted deficit
5 excess, in the case of fiscal year 1986)`` and by
6 inserting in lieu thereof ``make the reductions
7 required by this part``; and

8 (I) in subsection (c)(1) by striking out the
9 dash, by striking out subparagraphs (A) and (B) and
10 inserting in lieu thereof ``adjusting the
11 determinations made under subsection (a) to the
12 extent necessary``, and by striking out ``(except
13 that subdivision (II) of paragraph (6)(D)(i) of such
14 subsection shall not apply)``;

15 (2) Section 252 of the Act is amended--

16 (A) in subsection (a)(1) by striking out ``which
17 identifies`` and all that follows thereafter through
18 ``1986`` the first time it occurs therein and by
19 inserting in lieu thereof ``that identifies aggregate
20 required outlay reductions greater than zero for such
21 fiscal year``, and by striking out ``eliminate the
22 full amount of the deficit excess`` and by inserting
23 in lieu thereof ``make all the reductions and
24 sequestrations specified in such report``;

25 (B) in subsection (a)(1)(B) by striking out

1 ``eliminates the remainder of such deficit excess (or
2 adjusted deficit excess, in the case of fiscal year
3 1986) by sequestering`` and by inserting in lieu
4 thereof ``sequesters``;

5 (C) in subsection (b)(1) by striking out
6 ``eliminate the full amount of the deficit excess as
7 identified`` and by inserting in lieu thereof ``make
8 all of the reductions and sequestrations specified``;

9 (D) in subsection (b)(2) by striking out ``the
10 excess deficit`` and all that follows thereafter
11 through ``eliminated`` and by inserting in lieu
12 thereof ``no further deficit reduction is necessary
13 to fully satisfy the requirements of section
14 251(a)(3)(A)``

15 SEC. 106. COMPLIANCE REPORT BY COMPTROLLER GENERAL.

16 Section 253 of the Act is amended--

17 (1) by inserting before the period at the end thereof
18 the following: `` , and in the case of fiscal years 1988
19 and 1989, reviewing the reports of the Director of OMB
20 under sections 251(a)(2)(B)(ii) and 251(c)(4), including
21 their compliance with the requirements of the Act with
22 respect to setting forth differences between such reports
23 and the reports of the Director of CBO under sections
24 251(a)(2)(B)(i) and 251(c)(3)``;

25 (2) by striking out `` (or on or before April 1, 1986,

1 in the case of fiscal year 1986)"; and

2 (3) by inserting at the end thereof the following:

3 "At the close of each calendar quarter, the Comptroller
4 General shall submit to the Congress and the President a
5 report on the extent to which any such order for a fiscal
6 year is, in effect, modified as the result of the
7 enactment of any law after October 10 of the fiscal
8 year."

9 **SEC. 107. EXEMPT PROGRAMS AND ACTIVITIES.**

10 (a) **CLARIFYING AMENDMENTS.**--(1) Section 255(h) of the Act
11 is amended by including after the item relating to child
12 nutrition the following new item:

13 "Commodity supplemental food program (12-3512-0-
14 1-605);".

15 (2) Section 255(g)(1) of the Act is amended by inserting
16 after the item relating to the Tennessee Valley Authority the
17 following new item:

18 "Washington Metropolitan Area Transit Authority
19 (46-0300-0-1-401);".

20 (b) **EXEMPTION FOR MILITARY PERSONNEL ACCOUNTS.**--Section
21 255 of the Act is amended by redesignating subsection (i) as
22 subsection (j) and by inserting after subsection (h) the
23 following new subsection:

24 "(i) **MILITARY PERSONNEL ACCOUNTS.**--All military
25 personnel accounts shall be exempt from reduction from any

1 order issued under this part.".

2 (c) AMENDMENTS TO SPECIFICALLY INCLUDE IN THIS ACT

3 EXEMPTIONS ENACTED SINCE 1985.--(1) Section 255(b) of the Act
4 is amended by inserting after the colon the following:

5 "National Service Life Insurance Fund (36-8132-0-7-
6 701);

7 "Service-Disabled Veterans Insurance Fund (36-4012-0-
8 3-701);

9 "Veterans Special Life Insurance Fund (36-8455-0-8-
10 701);

11 "Veterans Reopened Insurance Fund (36-4010-0-3-701);

12 "United States Government Life Insurance Fund (36-
13 8150-0-7-701)

14 "Veterans Insurance and Indemnity (36-0120-0-1-701)

15 "Veterans' Administration Special Therapeutic and
16 Rehabilitation Activities Fund (36-4048-0-3-703)

17 "Veterans' Canteen Service Revolving Fund (36-4014-0-
18 3-705)

19 "Benefits under chapter 21 of title 38, United
20 States Code, relating to specially adapted housing and
21 mortgage-protection life insurance for certain veterans
22 with service-connected disabilities (36-0137-0-1-702);

23 "Benefits under section 907 of title 38, United
24 States Code, relating to burial benefits for veterans who
25 die as a result of service-connected disability (36-0155-

1 0-1-701)

2 ``Benefits under chapter 39 of title 38, United
3 States Code, relating to automobiles and adaptive
4 equipment for certain disabled veterans and members of
5 the Armed Forces (36-0137-0-1-702);``.

6 (2) Section 255(g)(1) of the Act is amended--

7 (A) by inserting after the item relating to
8 intragovernmental funds the following new item:

9 ``Panama Canal Commission operations and
10 facilities (95-5190-0-2-403 and 95-4061-2-3-403);``;

11 (B) by inserting after the item relating to payments
12 to trust funds the following new item:

13 ``Payments to the United States territories
14 fiscal assistance (14-0418-0-1-852);``;

15 (C) by inserting after the item relating to
16 compensation of the President the following new item:

17 ``Customs Service, miscellaneous permanent
18 appropriations (20-9922-0-2-852);``;

19 (D) by inserting before the item relating to
20 intragovernmental funds the following new item:

21 ``Internal Revenue collections for Puerto Rico
22 (20-5737-0-2-852);``;

23 (E) by inserting after the first item the following
24 new item:

25 ``Administration of territories respecting Guam,

1 the Northern Mariana Islands, Puerto Rico, and the
2 Virgin Islands (14-0412-0-1-806);'' and

3 (F) by inserting after the item relating to payments
4 to the military retirement fund the following new item:

5 ''Payments to Palau pursuant to the Compact of
6 Free Association ();''.

7 (3) Section 255(g)(1) of the Act is amended by
8 inserting ''(A)'' after ''(1)'' and by inserting at the
9 end thereof the following new subparagraph:

10 ''(B) The following budget accounts and activities
11 shall be exempt from reduction under any order issued
12 under this part:

13 ''Black lung benefits (20-8144-0-7-601);

14 ''Central Intelligence Agency retirement and
15 disability system fund (56-3400-0-1-054);

16 ''Civil service retirement and disability fund
17 (24-8135-0-7-602);

18 ''Comptrollers general retirement system (05-0107-
19 0-1-801);

20 ''Foreign service retirement and disability fund
21 (19-8186-0-7-602);

22 ''Judicial survivors' annuities fund (10-8110-0-7-
23 602);

24 ''Longshoremen's and harborworkers' compensation
25 benefits (16-9971-0-7-601);

1 "Military retirement fund (97-8097-0-7-602);

2 "National Oceanic and Atmospheric Administration
3 retirement (13-1450-0-1-306);

4 "Pensions for former Presidents (47-0105-0-1-
5 802);

6 "Railroad retirement tier II (60-8011-0-7-601);

7 "Retired pay, Coast Guard (69-0241-0-1-403);

8 "Retirement pay and medical benefits for
9 commissioned officers, Public Health Service (75-0379-
10 0-1-551);

11 "Special benefits, Federal Employees'
12 Compensation Act (16-1521-0-1-600);

13 "Special benefits for disabled coal miners (75-
14 0409-0-1-601); and

15 "Tax Court judges survivors annuity fund (23-
16 8115-0-7-602)."

17 (d) CONFORMING AMENDMENTS.--(1) Section 255(g)(2) of the
18 Act is amended by repealing the items relating to veterans
19 with the exception of the items relating to the Loan guaranty
20 revolving fund and the Servicemen's group life insurance
21 fund.

22 (2) Paragraph (1) of section 257 of the Act is amended by
23 striking out subparagraph (A), by striking out the dash, and
24 by striking out "(B)".

25 SEC. 108. CHANGES IN SPECIAL RULES FOR MEDICARE PROGRAM.

1 (a) PERMITTING MAXIMUM REDUCTION OF 4 PERCENT.--Paragraph
 2 (1) of section 256(d) of the Balanced Budget and Emergency
 3 Deficit Control Act of 1985 is amended by striking ``a
 4 reduction of`` and all that follows through ``fiscal year,``
 5 and inserting ``a reduction of 4 percent``.

6 (b) ADJUSTMENT IN MAXIMUM ALLOWABLE ACTUAL CHARGE

7 LIMITS.--Such section is amended by adding at the end the
 8 following new paragraph:

9 `` (5) ADJUSTMENT IN MAXIMUM ALLOWABLE ACTUAL CHARGE
 10 LIMITS FOR PHYSICIANS' SERVICES.--If a reduction in
 11 payment amounts is made under paragraph (1) for services
 12 for which payment is made under part B of title XVIII of
 13 the Social Security Act, in the case of physicians'
 14 services which are subject to a maximum allowable actual
 15 charge under section 1842(j)(1)(B) of such Act, the
 16 maximum allowable actual charge otherwise computed shall
 17 be--

18 `` (A) reduced by the same percentage reduction as
 19 the percentage reduction in payment amounts made
 20 under paragraph (1) for such services, and

21 `` (B) monitored and enforced, for purposes of
 22 clause (i) of such section, on the basis of the
 23 actual charge billed for a physicians' service
 24 (rather than on the basis of the weighted average
 25 charges for such service in a period of time).``.

1 (c) TECHNICAL AMENDMENT.--Paragraph (3) of such section
 2 is amended by striking ``on the basis of an assignment'' and
 3 all that follows through ``of such Act'' and inserting ``on
 4 an assignment-related basis (as defined for purposes of such
 5 part)''.

6 (d) PRORATION OF HEALTH REDUCTIONS.--Clause (iii) of
 7 section 251(a)(3)(F) of the Act is repealed, clause (iv) of
 8 such section is redesignated as clause (iii), and subclause
 9 (I) of clause (iii) (as redesignated) is amended by inserting
 10 before the period at the end thereof the following: ``
 11 except that each of the programs to which the special rules
 12 set forth in subsections (d) and (k) of section 256 apply
 13 shall not be reduced by more than the percentages specified
 14 in such subsections and the uniform percentage reduction
 15 applicable to all other programs under this clause shall be
 16 increased (if required outlay reductions''.

17 SEC. 109. ALTERNATIVE PROCEDURES.

18 Section 274(f)(1) of the Act is amended by striking out
 19 ``section 251(a)'' and by inserting in lieu thereof ``section
 20 251(a)(2)(A)''.

21 SEC. 110. PERMISSIBLE MAXIMUM DEFICIT AMOUNTS.

22 (a) REVISION OF DEFINITION OF MAXIMUM DEFICIT
 23 AMOUNT.--Paragraph (7) of section 3 of the Congressional
 24 Budget and Impoundment Control Act of 1974 is amended by
 25 striking out subparagraphs (D) through (F) and by inserting

1 in lieu thereof the following:

2 “(D) with respect to the fiscal year beginning
3 October 1, 1988, \$108,000,000,000;

4 “(E) with respect to the fiscal year beginning
5 October 1, 1989, \$72,000,000,000;

6 “(F) with respect to the fiscal year beginning
7 October 1, 1990, \$36,000,000,000;

8 “(G) with respect to the fiscal year beginning
9 October 1, 1991, zero.”.

10 (b) REVISION OF EXPIRATION DATE OF THE BALANCED BUDGET
11 AND EMERGENCY DEFICIT CONTROL ACT OF 1985.--Subsection (b)(1)
12 of section 275 of the Act is amended by striking out
13 “September 30, 1991” and by inserting in lieu thereof
14 “September 30, 1992”.

15 (c) SECTION 301(i) POINT OF ORDER.--Paragraph (2) of
16 section 301(i) of the Congressional Budget Act of 1974 is
17 amended by inserting “(A)” before “Paragraph” and by
18 adding at the end thereof the following new paragraph:

19 “(B) Paragraph (1) shall not apply to any concurrent
20 resolution or amendment thereto or conference report
21 thereon if the report accompanying such concurrent
22 resolution or joint explanatory statement accompanying
23 such conference report states that the concurrent
24 resolution (as reported) or conference report or
25 amendment, as the case may be, provides for reductions

1 from a budget base estimate for such fiscal year (based
 2 on laws in effect on March 1 of the calendar year during
 3 which the fiscal year begins) of at least
 4 \$25,000,000,000.".

5 (d) CONFORMING AMENDMENT.--Subsections (a)(1)(B), (a)(2),
 6 and (b)(1) of section 251 of the Act are amended by striking
 7 out "1991" and by inserting in lieu thereof "1992".

8 SEC. 111. PRINTING OF ORDERS.

9 Section 252 of the Act is amended by inserting at the end
 10 thereof the following new subsection:

11 "(g) PRINTING OF ORDERS.--Each informational order and
 12 final order issued under this section shall be printed in the
 13 Federal Register on the date it is issued.".

14 SEC. 112. ESTABLISHMENT OF STATUTORY LIMIT ON THE PUBLIC
 15 DEBT.

16 (a) PUBLIC DEBT LIMIT EXTENSION.--Title III of the
 17 Congressional Budget Act of 1974 is amended by inserting at
 18 the end thereof the following new section:

19 "SPECIAL PROCEDURE IN THE SENATE FOR ESTABLISHMENT OF
 20 STATUTORY LIMIT ON THE PUBLIC DEBT

21 "SEC. 312. Upon receipt in the Senate of the engrossed
 22 copy of a joint resolution described in clause 1 of rule XLIX
 23 of the Rules of the House of Representatives increasing or
 24 decreasing the statutory limit on the public debt, the vote
 25 by which the conference report on the concurrent resolution

1 on the budget was agreed to in the Senate (or by which the
 2 concurrent resolution itself was adopted in the Senate, if
 3 there is no conference report) shall be deemed to have been a
 4 vote in favor of such joint resolution upon final passage in
 5 the Senate. The joint resolution shall then be signed by the
 6 presiding officers of both Houses and presented to the
 7 President for his signature (and otherwise treated for all
 8 purposes) in the manner provided for bills and joint
 9 resolutions generally.".

10 (b) CONFORMING AMENDMENT.--The table of contents set
 11 forth in section 1(b) of the Congressional Budget and
 12 Impoundment Control Act of 1974 is amended by inserting after
 13 the item relating to section 311 the following new item:

"Sec. 312. Special procedure in the Senate for establishment
 of statutory limit on the-public debt."

14 SEC. 113. DEVELOPMENT OF COMMON BASELINE PROJECTION.

15 Section 1105 of title 31, United States Code, is amended
 16 by inserting at the end thereof the following new subsection:

17 "(g) The Director of the Office of Management and Budget
 18 and the Director of the Congressional Budget Office should
 19 meet annually to develop a common baseline projection to be
 20 utilized in the preparation of budgets by the President
 21 pursuant to subsection (a) and by the Congress pursuant to
 22 title III of the Congressional Budget Act of 1974."

23 SEC. 114. REQUIREMENT WITH RESPECT TO FISCAL YEAR 1989 BUDGET

1 **SUBMISSION TO CONGRESS.**

2 The budget submission of the President for fiscal year
3 1989 under section 1105(a) of title 31, United States Code,
4 shall include proposed deficits for each of fiscal years 1989
5 through 1992 which do not exceed the maximum deficit amounts
6 set forth for each such year under paragraph (7) of section 3
7 of the Congressional Budget and Impoundment Control Act of
8 1974 and achieves a balanced budget not later than fiscal
9 year 1992.

10 **SEC. 115. BUDGETARY TREATMENT OF TRANSACTIONS OF THE THRIFT**
11 **SAVINGS PLAN.**

12 In conformance with the determination made by the General
13 Accounting Office, the receipts, investments, and
14 disbursements of the Thrift Savings Plan created by the
15 Federal Employees Retirement Systems Act of 1986 (5 U.S.C.
16 8401 et seq.) and administered by the Federal Retirement
17 Thrift Investment Board shall be treated as transactions of
18 private individuals rather than of the Federal Government for
19 the purposes of this Act, the Congressional Budget Act of
20 1974, and section 1105 of title 31, United States Code.

21 **SEC. 116. ECONOMIC SUMMIT CONFERENCE.**

22 (a) **FINDINGS.**--The Congress finds that--

23 (1) the continuation of massive Federal budget
24 deficits will place upward pressure on interest rates,
25 increase the trade deficit, decrease employment, threaten

1 the viability of the national economy, increase our
2 dependence on foreign investors to finance our debt, and
3 hamper international efforts to stabilize currency
4 exchange rates without triggering significant negative
5 economic effects; and

6 (2) significant and permanent reductions of the
7 deficit can only be achieved after reaching a bipartisan
8 consensus in both Houses of Congress and the
9 Administration.

10 (b) SUMMIT CONFERENCE.--It is the sense of Congress that
11 the President, together with the bipartisan leadership of the
12 Senate and House of Representatives, shall convene a domestic
13 economic summit conference to address the broadest possible
14 range of solutions to current and future budgetary issues and
15 budget process reforms.

VIII. CHANGES PROPOSED TO BE MADE TO EXISTING LAW

Changes in existing law made by the proposal are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

BALANCED BUDGET AND EMERGENCY DEFICIT CONTROL ACT OF 1985

* * * * *

PART C—EMERGENCY POWERS TO ELIMINATE DEFICITS IN EXCESS OF MAXIMUM DEFICIT AMOUNT

SEC. 251. REPORTING OF EXCESS DEFICITS.

(a) INITIAL ESTIMATES, DETERMINATIONS, AND REPORT BY OMB AND CBO.—

(1) ESTIMATES AND DETERMINATIONS.—The Director of the Office of Management and Budget and the Director of the Congressional Budget Office (in this part referred to as the “Directors”) shall with respect to each fiscal year—

(A) * * *

(B) determine whether the projected deficit for such fiscal year will exceed the maximum deficit amount for such fiscal year and whether such deficit excess will be greater than \$10,000,000,000 (zero in the case of fiscal years 1986 and [1991] 1992), [and]

(C) estimate the amount of net deficit reduction in the budget base that has occurred since March 1 of the calendar year in which such fiscal year begins, and

[(C)] (D) estimate the rate of real economic growth that will occur during such fiscal year, the rate of real economic growth that will occur during each quarter of such fiscal year, and the rate of real economic growth that will have occurred during each of the last two quarters of the preceding fiscal year.

(2) REPORT.—[The] (A) In the case of fiscal years 1990, 1991, and 1992, based on the estimates and determinations required in paragraph (1), the Directors jointly shall report to the Comptroller General on August 20 of the calendar year in which such fiscal year begins (or on January 15, 1986, in the case of the fiscal year 1986), estimating the budget base levels of total revenues and total budget outlays for such fiscal year, identifying the amount of any deficit excess for such fiscal year, stating whether such excess is greater than \$10,000,000,000 (zero in

the case of fiscal years 1986 and [1991] 1992), estimating the amount of net deficit reduction in the budget base that has occurred since March 1 of the calendar year in which such fiscal year begins, specifying the estimated rate of real economic growth for such fiscal year, for each quarter of such fiscal year, and for each of the last two quarters of the preceding fiscal year, indicating whether the estimate includes two or more consecutive quarters of negative real economic growth, and specifying (if the excess is greater than \$10,000,000,000, or zero in the case of fiscal years 1986 and [1991] 1992), by account, for non-defense programs, and by account and programs, projects, and activities within each account, for defense programs, the base from which reductions are taken and the amounts and percentages by which such accounts must be reduced during such fiscal year, in accordance with the succeeding provisions of this part, in order to eliminate such excess.

(B)(i) In the case of fiscal years 1988 and 1989, the Director of the Congressional Budget Office (in this part referred to as the "Director of CBO") shall issue a report to the Director of OMB on August 20 of the calendar year in which the fiscal year begins containing the information required in subparagraph (A) for such fiscal year.

(ii)(I) In the case of fiscal years 1988 and 1989, the Director of the Office of Management and Budget (in this part referred to as the "Director of OMB") shall issue a report to the President and the Congress on September 1 of the calendar year in which the fiscal year begins containing the information required in subparagraph (A) for such fiscal year. In addition, if the report is predicated upon different economic or technical assumptions or methodologies than those utilized by the Director of CBO in the preparation of the report issued under clause (i) for the fiscal year, then the report issued under this clause shall also set forth, by sequesterable resource, for non-defense programs and, by sequesterable resource, for defense programs the amount of reductions taken in accordance with the succeeding provisions of this part (as estimated by the Director of OMB) for the fiscal year but utilizing the same economic and technical assumptions and methodologies as the report issued under clause (i) for the fiscal year, and, if different from the amount of reductions calculated pursuant to the first sentence of this clause, shall identify and explain all resulting differences. If the amounts calculated in the preceding sentence for aggregate defense sequesterable resources and aggregate non-defense sequesterable resources differ from the estimates of the Director of OMB for aggregate defense sequesterable resources and aggregate non-defense sequesterable resources, then the report issued under this clause shall explain the reasons for such difference. If the aggregate amount of required outlay reductions is different from such amount as set forth in the report issued under clause (i) for the fiscal year, then the report issued under this clause shall explain the reasons for such difference. If the aggregate amount of resources to be sequestered from

defense accounts by type of sequesterable resource or from non-defense accounts by sequesterable resource differs from the amounts to be sequestered under the report issued under clause (i), then the report issued under this clause shall explain the reasons for such difference. If the sequesterable resource for any account which is to be reduced under this report differs by at least \$5,000,000 and 1 percent from the amount for the same account under the report issued under clause (i) for the fiscal year, then the report issued under this clause shall identify and explain each such difference.

(II) In the report for a fiscal year issued under this clause, the Director of OMB shall ensure that the aggregate outlay rate for defense programs, calculated using data on sequesterable resources and account outlay rates applicable to such fiscal year, shall not differ by more than one-half of 1 percentage point from such aggregate outlay rate calculated using the same data on sequesterable resources but using account outlay rates based on the data contained in the report submitted under this paragraph for fiscal year 1987 as proposed by the Director of OMB. The restrictions in this clause regarding aggregate defense outlay rates shall apply in the same manner to aggregate non-defense outlay rates. For purposes of this clause, an aggregate outlay rate shall be the average of account outlay rates (expressed as a percentage) with each account outlay rate given a weight that is proportional to its share of total sequesterable resources. An account outlay rate shall be the ratio of sequesterable outlays to sequesterable resources for a budget account.

(III) The report issued under this clause for any fiscal year may not assume aggregate outlays for Medicare or the Commodity Credit Corporation either of which deviates by more than 5 percent from the amount estimated for such program in the current services budget submitted by the President pursuant to section 1109(a) of title 31, United States Code, for such fiscal year not taking into account legislation enacted or regulations prescribed after such report is submitted. In the case of the Commodity Credit Corporation, if the current services budget does not assume advance deficiency payments are made to producers of wheat, feed grains, cotton, and rice, then for purposes of this subclause, the current services budget shall be adjusted to assume such payments.

(IV) The calculations of the excess deficit, the required outlay reductions, and the amounts and percentages by which budget accounts must be reduced shall each be based upon the same economic and technical assumptions.

[(3) DETERMINATION OF REDUCTIONS.—The amounts and percentages by which such accounts must be reduced during a fiscal year shall be determined as follows:

[(A)(i) If the deficit excess for the fiscal year is greater than \$10,000,000,000 (zero in the case of fiscal years 1986 and 1991), such deficit excess shall be divided into halves.

[(ii) In the case of fiscal year 1986, the amount of such excess—

[(I) shall be multiplied by seven twelfths before being divided into halves in accordance with clause (i), and

[(II) shall not exceed \$11,700,000,000.]]

(3) *DETERMINATION OF REDUCTIONS.*—(A) *The aggregate amount of required outlay reductions and the amounts and percentages by which budget accounts must be reduced for a fiscal year shall be determined as follows:*

(i) *The aggregate required outlay reductions shall be—*

(I) *zero for fiscal year 1989, 1990, or 1991 if the excess deficit for such fiscal year is less than \$10,000,000,000;*

(II) *zero for fiscal year 1992 if there is no excess deficit; or*

(III) *the amount of unachieved deficit reduction for fiscal year 1988, or the lesser of the deficit excess or the amount of unachieved deficit reduction for fiscal year 1989, 1990, 1991, or 1992..*

The unachieved deficit reduction for a fiscal year shall be the amount, if any, by which net deficit reduction for a fiscal year falls short of \$25,000,000,000, but such unachieved deficit reduction shall not exceed \$36,000,000,000. Net deficit reduction for a fiscal year shall be the amount of the estimated deficit for such fiscal year based on laws in effect on, and regulations prescribed by, August 15 (in the case of initial reports submitted under subsection (a)), October 5 (in the case of the final reports submitted under subsection (c)) for fiscal year 1990, 1991, and 1992, or October 10 (in the case of final reports submitted under subsection (c) for fiscal year 1988 and 1989) of the calendar year in which such fiscal year begins, as measured by using the budget base specified in paragraph (6), subtracted from the amount of the estimated deficit for such fiscal year based on laws and regulations in effect on March 1 of such calendar year as measured by using the budget base specified in paragraph (6). Both such deficit estimates for a fiscal year shall be made using the same economic and technical assumptions.

(ii) *The amounts and percentages by which budget accounts must be reduced for a fiscal year shall be calculated by dividing the aggregate amount of required outlay reductions into halves.*

(B) *Subject to the exemptions, exceptions, limitations, special rules, and definitions set forth in this section and in sections 255, 256, and 257, [the reductions necessary to eliminate one-half of the deficit excess for the fiscal year (as adjusted under subparagraph (A)(ii) in the case of fiscal year 1986)] one-half of the required outlay reductions shall be made in outlays under accounts within major functional category 050 (in this part referred to as outlays under "defense programs"), and [the reductions necessary to eliminate the other half of the deficit excess (or the adjusted deficit excess, in the case of fiscal year 1986)] the other*

half of the required outlay reductions shall be made in outlays under other accounts of the Federal Government (in this part referred to as outlays under "non-defense programs").

[(C)(i) The total amount by which outlays for automatic spending increases scheduled to take effect during the fiscal year are to be reduced shall be determined in accordance with clause (ii) of this subparagraph.

[(ii) Each such automatic spending increase shall be reduced—

[(I) to zero (a uniform percentage reduction of 100 percent), or

[(II) by a uniform percentage reduction of less than 100 percent calculated in a manner to reduce total outlays for the fiscal year by one-half of the deficit excess (or the adjusted deficit excess, in the case of fiscal year 1986), if the elimination of all such increases would reduce total outlays for the fiscal year by more than one-half of the deficit excess (or the adjusted deficit excess, in the case of fiscal year 1986) for the fiscal year.

[(D) The total amount of the outlay reductions determined under subparagraph (C) shall be divided into two amounts:

[(i) an amount equal to the outlay reductions attributable to programs specified in subparagraph (A) of section 257(l); and

[(ii) an amount equal to the outlay reductions attributable to programs specified in subparagraph (B) of section 257(l).

[(E)(i) For purposes of subparagraph (B), one-half of the amount of the reductions determined under clause (i) of subparagraph (D) shall be credited as reductions in outlays under defense programs, and the total amount of reductions in outlays under defense programs required under subparagraph (B) shall be reduced accordingly.

[(ii) Sequestration of new budget authority and unobligated balances to achieve the remaining reductions in outlays under defense programs required under subparagraph (B) shall be determined as provided in subsection (d).]

(C) The maximum amount by which outlays for automatic spending increases scheduled to take effect during the fiscal year are to be reduced shall be determined.

[(F)](D)(i) For purposes of subparagraph (B) [—

[(I) one-half of the amount of the reductions determined under clause (i) of subparagraph (D), and

[(II) the amount of the reductions determined under clause (ii) of subparagraph (D)], *the amount of the reductions determined under subparagraph (C)*

shall be credited as reductions in outlays under non-defense programs, and the total amount of reductions in out-

lays under non-defense programs required under subparagraph (B) shall be reduced accordingly.

()*(*)*(*)*(*)*(*)*(*)
 [(iii)(I) Except as provided in subclause (II), the maximum reduction permissible for each of the programs to which the special rules set forth in sections 256(d) and 256(k) apply shall be determined, and the total amount of outlays under non-defense programs required under subparagraph (B) shall be reduced by the amount of the maximum reductions so determined.

[(II) If the maximum reduction determined in accordance with subclause (I) with respect to the programs to which that subclause relates would reduce outlays for such programs by an amount in excess of the remaining amount of the reduction in outlays in non-defense programs required under subparagraph (B), outlays for such programs shall instead be reduced proportionately by such lesser percentage as will achieve such remaining required reductions.]

[(iv)](iii)(I) Sequestrations and reductions under the remaining non-defense programs shall be applied on a uniform percentage basis so as to reduce new budget authority, new loan guarantee commitments, new direct loan obligations, obligation limitations, and spending authority as defined in section 401(c)(2) of the Congressional Budget Act of 1974 to the extent necessary to achieve any remaining required outlay reductions, *except that each of the programs to which the special rules set forth in subsections (d) and (k) of section 256 apply shall not be reduced by more than the percentages specified in such subsections and the uniform percentage reduction applicable to all other programs under this clause shall be increased (if necessary) to a level sufficient to achieve any remaining required outlay reductions.*

()*(*)*(*)*(*)*(*)*(*)
 (4) ADDITIONAL SPECIFICATIONS.—The report submitted under paragraph (2) must also specify (with respect to the fiscal year involved)—

(A) the amount of the automatic spending increase (if any) which is scheduled to take effect in the case of each program providing for such increases, the amount and percentage by which such increase is to be reduced, [the amount by which the deficit excess (as adjusted under paragraph (3)(A)(ii), in the case of fiscal year 1986) will be reduced as a result of the elimination or reduction of automatic spending increases (stated separately for increases under programs listed in subparagraph (A) of section 257(1) and increases under programs listed in subparagraph (B) of that section),] and the amount (if any) of each such increase, stated in terms of percentage points, which will take effect after reduction under this part;

()*(*)*(*)*(*)*(*)*(*)

(5) BASIS FOR DIRECTORS' ESTIMATES, DETERMINATIONS, AND SPECIFICATIONS.—**[The]** *In the case of fiscal year 1990, 1991, or 1992, the estimates, determinations, and specifications of the Directors under the preceding provisions of this subsection and under subsection (c)(1) shall utilize the budget base, criteria, and guidelines set forth in paragraph (6) and in sections 255, 256, and 257. In the event that the Directors are unable to agree on any items required to be set forth in the report, they shall average their differences to the extent necessary to produce a single, consistent set of data that achieves the required deficit reduction. The report of the Directors shall also indicate the amount initially proposed for each averaged item by each Director.*

(6) BUDGET BASE.—In computing the amounts and percentages by which accounts must be reduced during a fiscal year as set forth in any report required under this subsection for such fiscal year, the budget base shall be determined by—

[(A) assuming (subject to subparagraph (C)) the continuation of current law in the case of revenues and spending authority as defined in section 401(c)(2) of the Congressional Budget Act of 1974;]

(A) assuming (subject to subparagraph (C)) the continuation of current revenue law and, in the case of spending authority as defined in section 401(c)(2) of the Congressional Budget Act of 1974, funding for current authorization laws at levels sufficient to fully make all payments authorized or required under such laws to all individuals or entities authorized to receive such payments;

* * * * *

(C) assuming that expiring provisions of law providing revenues and spending authority as defined in section 401(c)(2) of the Congressional Budget Act of 1974 do expire, except that excise taxes dedicated to a trust fund and agricultural price support programs administered through the Commodity Credit Corporation are extended at current rates; **[and]**

(D) assuming **[(i) that Federal pay adjustments for statutory pay systems (I) will be as recommended by the President, but (II) will in no case result in a reduction in the levels of pay in effect immediately before such adjustments; and] (i) that, in addition to amounts specified in subparagraphs (A), (B), and (C), appropriations to cover the costs of Federal pay adjustments for statutory pay systems and elements of military pay will be in the amounts estimated by the President in the most recent budget transmission under section 1105 or section 1106 of title 31, United States Code (but shall not be negative amounts); and (ii) that medicare spending levels for inpatient hospital services will be based upon the regulations most recently issued in final form or proposed by the Health Care Financing Administration pursuant to sections 1886(b)(3)(B), 1886(d)(3)(A), and 1886(e)(4) of the Social Security Act [.]**;

(E) assuming that all advance deficiency payments to producers of wheat, feed grains, cotton, and rice under the Agricultural Act of 1949 are paid pursuant to the same payment schedule that existed for such payments in fiscal year 1987; and

(F) assuming that the sale of an asset by the Federal Government will occur during a fiscal year only if a final notice of sale during such fiscal year (including a description of the asset to be sold and the date of the sale) is published in the Federal Register by August 15 of the calendar year in which such fiscal year begins.

* * * * *

(b) REPORT TO PRESIDENT AND CONGRESS BY COMPTROLLER GENERAL.—

(1) REPORT TO BE BASED ON OMB-CBO REPORT.—**[The]** *In the case of fiscal years 1990, 1991, and 1992, the Comptroller General shall review and consider the report issued by the Directors for the fiscal year and, with due regard for the data, assumptions, and methodologies used in reaching the conclusions set forth therein, shall issue a report to the President and the Congress on August 25 of the calendar year in which such fiscal year begins (or on January 20, 1986, in the case of the fiscal year 1986), estimating the budget base levels of total revenues and total budget outlays for such fiscal year, identifying the amount of any deficit excess for such fiscal year (adjusted in accordance with subsection (a)(3)(A)(ii), in the case of fiscal year 1986), stating whether such deficit excess (or adjusted deficit excess, in the case of fiscal year 1986) will be greater than \$10,000,000,000 (zero in the case of fiscal years 1986 and [1991], 1992), estimating the amount of net deficit reduction in the budget base that has occurred since March 1 of the calendar year in which such fiscal year begins, specifying the estimated rate of real economic growth for such fiscal year, for each quarter of such fiscal year, and for each of the last two quarters of the preceding fiscal year, indicating whether the estimate includes two or more consecutive quarters of negative economic growth, and specifying (if the excess is greater than \$10,000,000,000, or zero in the case of fiscal years 1986 and [1991] 1992), by account, for non-defense programs, and by account and programs, projects, and activities within each account, for defense programs, the base from which reductions are taken and the amounts and percentages by which such accounts must be reduced during such fiscal year in order to [eliminate such deficit excess (or adjusted deficit excess, in the case of fiscal year 1986)] make the reductions required by this part. Such report shall be based on the estimates, determinations, and specifications of the Directors and shall utilize the budget base, criteria, and guidelines set forth in subsection (a)(6) and in sections 225, 256, and 257.*

* * * * *

(c) REVISED ESTIMATES, DETERMINATIONS, AND REPORTS.—

(1) REPORT BY OMB AND CBO FOR FISCAL YEARS 1990, 1991, AND 1992.—On October 5 of [the fiscal year (except in the case of the fiscal year 1986)] *fiscal years 1990, 1991, and 1992* the Directors shall submit to the Comptroller General a revised report [—

[(A) indicating whether and to what extent, as a result of laws enacted and regulations promulgated after the submission of their initial report under subsection (a), the excess deficit (adjusted in accordance with subsection (a)(3)(A)(ii), in the case of fiscal year 1986) identified in the report submitted under such subsection has been eliminated, reduced, or increased, and

[(B) adjusting the determinations made under subsection (a) to the extent necessary.] *adjusting the determinations made under subsection (a) to the extent necessary.*

The revised report submitted under this paragraph shall contain estimates, determinations, and specifications for all of the items contained in the initial report and authorized under subsection (d)(3)(D)(i) and shall be based on the same economic and technical assumptions, employ the same methodologies, and utilize the same definition of the budget base and the same criteria and guidelines as those used in the report submitted by the Directors under subsection (a) [(except that subdivision (II) of paragraph (6)(D)(i) of such subsection shall not apply)], and shall provide for the determination of reductions in the manner specified in subsection (a)(3).

(2) REPORT BY COMPTROLLER GENERAL FOR FISCAL YEARS 1990, 1991, AND 1992.—

(A) On October 10 of [the fiscal year (except in the case of the fiscal year 1986)] *fiscal years 1990, 1991, and 1992*, the Comptroller General shall submit to the President and the Congress a report revising the report submitted by the Comptroller General under subsection (b), adjusting the estimates, determinations, and specifications contained in that report to the extent necessary in the light of the revised report submitted to him by the Directors under paragraph (1) of this subsection.

(B) The revised report of the Comptroller General under this paragraph shall provide for the determination of reductions as specified in subsection (a)(3) and shall contain all of the estimates, determinations, and specifications required (in the case of the report submitted under subsection (b)) pursuant to subsection (b)(2)(B).

(3) REPORTS BY CBO FOR FISCAL YEARS 1988 AND 1989.—On October 10 of *fiscal years 1988 and 1989*, the Director of CBO shall issue a revised report to the Director of OMB—

(A) *indicating whether and to what extent, as a result of laws enacted after August 15 of the calendar year in which the fiscal year begins, the aggregate amount of required outlay reductions identified in the report submitted under such subsection has been eliminated, reduced, or increased, and*

(B) *adjusting the determinations made under subsection (a)(2)(B)(i) to the extent necessary.*

(4) **REPORTS BY OMB FOR FISCAL YEARS 1988 AND 1989.**—On October 15 of fiscal years 1988 and 1989, the Director of OMB shall submit to the President and the Congress a report revising the report issued under section 251(a)(2)(B)(ii), adjusting the estimates, determinations, and specifications contained in the report to the extent appropriate in light of the revised report issued by the Director of CBO under paragraph (3)(A). This report shall contain all of the determinations and comparisons required in, and shall be based on the same economic and technical assumptions, employ the same methodologies, and utilize the same definition of the budget base and the same criteria and guidelines as, the report issued under section 251(a)(2)(B)(ii).

* * * * *

SEC. 252. PRESIDENTIAL ORDER.

(a) ISSUANCE OF INITIAL ORDER.—

(1) **IN GENERAL.**—On September 1, following the submission of a report by the Comptroller General under section 251(b) [which identifies an amount greater than \$10,000,000,000 (zero in the case of fiscal years 1986 and 1991) by which the deficit for a fiscal year will exceed the maximum deficit amount for such fiscal year (or on February 1, 1986, in the case of the fiscal year 1986)] in the case of fiscal years 1990, 1991, 1992, or following the submission of the report by the Director of OMB under section 251(a)(2)(B)(ii) in the case of fiscal year 1988 or 1989 that identifies aggregate required outlay reductions greater than zero for such fiscal year, the President, in strict accordance with the requirements of paragraph (3) and section 251(a)(3) and (4) and subject to the exemptions, exceptions, limitations, special rules, and definitions set forth in sections 255, 256, and 257, shall [eliminate the full amount of the deficit excess] make all the reductions and sequestrations specified in such report (as adjusted by the Comptroller General in such report in accordance with section 251(a)(3)(A)(ii), in the case of fiscal year 1986) by issuing an order that (notwithstanding the Impoundment Control Act of 1974)—

(A) * * *

(B) [eliminates the remainder of such deficit excess (or adjusted deficit excess, in the case of fiscal year 1986) by sequestering] sequesters new budget authority, unobligated balances, new loan guarantee commitments, new direct loan obligations, and spending authority as defined in section 401(c)(2) of the Congressional Budget Act of 1974, and reducing obligation limitations, in accordance with such report—

(i) * * *

* * * * *

(3) **ORDER TO BE BASED ON COMPTROLLER GENERAL'S REPORT OR DIRECTOR OF OMB'S REPORT.**—The order must provide for reductions in the manner specified in section 251(a)(3), must incorporate the provisions of the report submitted under section 251(b) or section 251(a)(2)(B)(ii) (as the case may be), and must be con-

sistent with such report in all respects. The President may not modify or recalculate any of the estimates, determinations, specifications, bases, amounts, or percentages set forth in the report submitted under section 251(b) in determining the reductions to be specified in the order with respect to programs, projects, and activities, or with respect to budget activities, within an account, with the exception of the authority granted to the President for fiscal year 1986 with respect to defense programs pursuant to paragraph (2)(C).

* * * * *

(b) ISSUANCE OF FINAL ORDER.—

(1) IN GENERAL.—On October 15 of the fiscal year (except in the case of the fiscal year 1986), after the submission of the revised report submitted by the Comptroller General under section 251(c)(2) *in the case of fiscal year 1990, 1991, or 1992 or following the submission of the report by the Director of OMB under section 251(c)(4) in the case of fiscal year 1988 or 1989*, the President shall issue a final order under this section to **[eliminate the full amount of the deficit excess as identified]** *make all of the reductions and sequestrations specified by the Comptroller General in the revised report submitted under section 251(c)(2) or by the Director of OMB in the revised report submitted under section 251(c)(4), as the case may be, but only to the extent and in the manner provided in such report. The order issued under this subsection—*

(A) shall include the same reductions and sequestrations as the initial order issued under subsection (a), adjusted to the extent necessary to take account of any changes in relevant amounts or percentages determined by the Comptroller General in the revised report submitted under section 251(c)(2) *or by the Director of OMB in the revised report submitted under section 251(c)(4), as the case may be,*

(B) shall make such reductions and sequestrations in strict accordance with the requirements of section 251(a)(3) and (4), and

(C) shall utilize the same criteria and guidelines as those which were used in the issuance of such initial order under subsection (a).

The provisions of subsection (a)(3) shall apply to the revised report submitted under section 251(c)(2) *or section 251(c)(4), as the case may be,* and to the order issued under this subsection in the same manner as such provisions apply to the initial report issued under section 251(b) *or section 251(a)(2)(B)(ii), as the case may be,* and to the order issued under subsection (a).

(2) ORDER REQUIRED IF EXCESS DEFICIT IS ELIMINATED.—If the Comptroller General issues a revised report under section 251(c)(2) *in the case of fiscal year 1990, 1991, or 1992, or the Director of OMB issues a revised report under section 251(c)(4) in the case of fiscal year 1988 or 1989* stating that as a result of laws enacted and regulations promulgated after the submission of the initial report of the Comptroller General under section 251(b) **[the excess deficit for a fiscal year (adjusted in accordance with section 251(a)(3)(A)(ii), in the case of fiscal year 1986)**

has been eliminated] or the Director of OMB under section 251(a)(2)(B)(ii), as the case may be, no further deficit reduction is necessary to fully satisfy the requirements of section 251(a)(3)(A), the order issued under this subsection shall so state and shall make available for obligation and expenditure any amounts withheld pursuant to subsection (a)(4) or (a)(6)(C).

(f) PART-YEAR APPROPRIATIONS.—

(1) EFFECT OF FINAL ORDER ON PART-YEAR APPROPRIATION.— If, at the time the President issues a final order for any fiscal year, there is in effect an Act making or continuing appropriations for part of the fiscal year for any budget account which is subject to reduction under the order, then the amount sequestered upon issuance of the order for that account shall be equal to the reduction amount for such account required by the final order multiplied by a fraction the numerator of which is the number of days during the fiscal year with respect to which the Act applies and the denominator of which is 365.

(2) EFFECT OF SUBSEQUENT APPROPRIATION ON FINAL ORDER.—
(A) If, after the issuance of a final order for a fiscal year under subsection (b), an Act referred to in paragraph (1) is extended or an Act making or continuing appropriations for part of the fiscal year for the account is enacted, then additional amounts determined in the same manner shall be sequestered. Upon enactment of a full-year appropriation (including a continuing appropriation for the full year) for the account the full amount of the reduction required by the final order, adjusted to take account of amounts already cancelled, shall be sequestered.

(B) The Director of OMB shall issue a report detailing the amounts, by budget account, sequestered under this paragraph, not later than the close of the 10th calendar day beginning after the date of enactment of any Act referred to in this paragraph.

*(3) EFFECTIVE DATE OF SEQUESTRATIONS.—*Amounts required to be sequestered by the President under paragraph (1) or (2) shall be sequestered not later than the close of the fifth calendar day beginning after the date of enactment of the relevant Act referred to in paragraph (1) or (2).

*(g) PRINTING OF ORDERS.—*Each informational order and final order issued under this section shall be printed in the Federal Register on the date it is issued.

SEC. 253. COMPLIANCE REPORT BY COMPTROLLER GENERAL.

On or before November 15 of each fiscal year [(or on or before April 1, 1986, in the case of the fiscal year 1986)], the Comptroller General shall submit to the Congress and the President a report on the extent to which the President's order issued under section 252(b) for such fiscal year complies with all of the requirements contained in section 252, either certifying that the order fully and accurately complies with such requirements or indicating the respects in which it does not, and in the case of fiscal years 1988 and 1989, reviewing the reports of the Director of OMB under sections 251(a)(2)(B)(ii) and 251(c)(4), including their compliance with the requirements of the Act with respect to setting forth differences be-

tween such reports and the reports of the Director of CBO under sections 251(a)(2)(B)(i) and 251(c)(3). At the close of each calendar quarter, the Comptroller General shall submit to the Congress and the President a report on the extent to which any such order for a fiscal year is, in effect, modified as the result of the enactment of any law after October 10 of the fiscal year.

SEC. 254. CONGRESSIONAL ACTION.

(a) * * *

(b) CONGRESSIONAL RESPONSE TO PRESIDENTIAL ORDER.—

(1) REPORTING OF RESOLUTIONS, AND RECONCILIATION BILLS AND RESOLUTIONS, IN THE SENATE.—

(A) COMMITTEE ALTERNATIVES TO PRESIDENTIAL ORDER.—

Within two days after the submission of a report by the Comptroller General under section 251(c)(2) or by the Director of OMB under section 251(c)(4), each standing committee of the Senate may submit to the Committee on the Budget of the Senate information of the type described in section 301(d) of the Congressional Budget Act of 1974 with respect to alternatives to the order envisioned by such report insofar as such order affects laws within the jurisdiction of the committee.

* * * * *

SEC. 255. EXEMPT PROGRAMS AND ACTIVITIES.

(a) * * *

(b) VETERANS PROGRAMS.—The following programs shall be exempt from reduction under any order issued under this part:

National Service Life Insurance Fund (36-8132-0-7-701);
Service-Disabled Veterans Insurance Fund (36-4012-0-3-701);
Veterans Special Life Insurance Fund (36-8455-0-8-701);
Veterans Reopened Insurance Fund (36-4010-0-3-701);
United States Government Life Insurance Fund (36-8150-0-7-701);
Veterans Insurance and Indemnity (36-0120-0-1-701);
Veterans Administration Special Therapeutic and Rehabilitation Activities Fund (36-4048-0-3-703);
Veterans Canteen Service Revolving Fund (36-4014-0-3-705);
Benefits under chapter 21 of title 38, United States Code, relating to specially adapted housing and mortgage-protection life insurance for certain veterans with service-connected disabilities (36-0137-0-1-702);

Benefits under section 907 of title 38, United States Code, relating to burial benefits for veterans who die as a result of service-connected disability (36-0155-0-1-701);

Benefits under chapter 39 of title 38, United States Code, relating to automobiles and adaptive equipment for certain disabled veterans and members of the Armed Forces (36-0137-0-1-702);

* * * * *

(g) OTHER PROGRAMS AND ACTIVITIES.—

(1)(A) The following budget accounts and activities shall be exempt from reduction under any order issued under this part:

Activities resulting from private donations, bequests, or voluntary contributions to the Government;

Administration of territories respecting Guam, the Northern Mariana Islands, Puerto Rico, and the Virgin Islands (14-0412-0-1-806);

Alaska Power Administration, Operations and maintenance (89-0304-0-1-271);

Appropriations for the District of Columbia (to the extent they are appropriations of locally raised funds);

Bonneville Power Administration fund and borrowing authority established pursuant to section 13 of Public Law 93-454 (1974), as amended (89-4045-0-3-271);

Bureau of Indian Affairs miscellaneous trust funds, tribal trust funds (14-9973-0-7-999);

Claims, defense (97-0102-0-1-051);

Claims judgments, and relief acts (20-1895-0-1-806);

Coinage profit fund (20-5811-0-2-803);

Compensation of the President (11-0001-0-1-802);

Customs Service, miscellaneous permanent appropriations (20-9922-0-2-852);

Dual benefits payments account (60-0111-01-601);

Eastern Indian land claims settlement fund (14-2202-0-1-806);

Exchange stabilization fund (20-4444-0-3-155);

Federal payment to the railroad retirement account (60-0113-0-1-601);

Foreign military sales trust fund (11-8242-0-7-155);

Health professions graduate student loan insurance fund (Health Education Assistance Loan Program) (75-4305-0-3-553);

Internal Revenue collections for Puerto Rico (20-5737-0-2-852);

Intragovernmental funds, including those from which the outlays are derived primarily from resources paid in from other government accounts, except to the extent such funds are augmented by direct appropriations for the fiscal year during which an order is in effect;

Panama Canal Commission operations and facilities (95-5190-0-2-403 and 95-4061-2-3-403);

Payment of Vietnam and USS Pueblo prisoner-of-war claims (15-0104-0-1-153);

Payment to civil service retirement and disability fund (24-0200-0-1-805);

Payments to copyright owners (03-5175-0-2-376);

Payments to health care trust funds (75-0580-0-1-572);

Payments to military retirement fund (97-0040-0-1-054);

Payments to Palau pursuant to the Compact of Free Association (

); Payments to social security trust funds (75-0404-0-1-571);

Payments to state and local government fiscal assistance trust fund (20-2111-0-1-851);

Payments to the foreign service retirement and disability fund (11-1036-0-1-153 and 19-0540-0-1-153);

Payments to trust funds from excise taxes or other receipts properly creditable to such trust funds;

Payments to the United States territories fiscal assistance (14-0418-0-1-852);

Postal service fund (18-4020-0-3-372);

Salaries of Article III judges;

Soldiers and Airmen's Home, payment of claims (84-8930-0-7-705);

Southeastern Power Administration, Operations and maintenance (89-0302-0-1-271);

Southwestern Power Administration, Operations and maintenance (89-0303-0-1-271);

Tennessee Valley Authority fund, except non-power programs and activities (64-4110-0-3-999);

Washington Metropolitan Area Transit Authority (46-0300-0-1-401);

Western Area Power Administration, Construction, rehabilitation, operations, and maintenance (89-5068-0-2-271); and

Western Area Power Administration, Colorado River basins power marketing fund (89-4452-0-3-271).

(B) *The following budget accounts and activities shall be exempt from reduction under any order issued under this part:*

Black lung benefits (20-8144-0-7-601);

Central Intelligence Agency retirement and disability system fund (56-3400-0-1-054);

Civil service retirement and disability fund (24-8135-0-7-602);

Comptrollers general retirement system (05-0107-0-1-801);

Foreign service retirement and disability fund (19-8186-0-7-602);

Judicial survivors' annuities fund (10-8110-0-7-602);

Longshoremen's and harborworkers' compensation benefits (16-9971-0-7-601);

Military retirement fund (97-8097-0-7-602);

National Oceanic and Atmospheric Administration retirement (13-1450-0-1-306);

Pensions for former Presidents (47-0105-0-1-802);

Railroad retirement tier II (60-8011-0-7-601);

Retired pay, Coast Guard (69-0241-0-1-403);

Retirement pay and medical benefits for commissioned officers, Public Health Service (75-0379-0-1-551);

Special benefits, Federal Employees' Compensation Act (16-1521-0-1-600);

Special benefits for disabled coal miners (75-0409-0-1-601); and

Tax Court judges survivors annuity fund (23-8115-0-7-602).

(2) Prior legal obligations of the Government in the following budget accounts and activities shall be exempt from any order issued under this part:

Agency for International Development, Housing, and other credit guarantee programs (72-4340-0-3-151);

- Agricultural credit insurance fund (12-4140-0-3-351);
- Biomass energy development (20-0114-0-1-271);
- Check forgery insurance fund (20-4109-0-3-803);
- Community development grant loan guarantees (86-0162-0-1-451);
- Credit union share insurance fund (25-4468-0-3-371);
- Economic development revolving fund (13-4406-0-3-452);
- Employees life insurance fund (24-8424-0-8-602);
- Energy security reserve (Synthetic Fuels Corporation) (20-0112-0-1-271);
- Export-Import Bank of the United States, Limitation of program activity (83-4027-0-3-155);
- Federal Aviation Administration, Aviation insurance revolving fund (69-4120-0-3-402);
- Federal Crop Insurance Corporation fund (12-4085-0-3-351);
- Federal Deposit Insurance Corporation (51-8419-0-8-371);
- Federal Emergency Management Agency, National flood insurance fund (58-4236-0-3-453);
- Federal Emergency Management Agency, National insurance development fund (58-4235-0-3-451);
- Federal Housing Administration fund (86-4070-0-3-371);
- Federal Savings and Loan Insurance Corporation fund (82-4037-0-3-371);
- Federal ship financing fund (69-4301-0-3-403);
- Federal ship financing fund, fishing vessels (13-4417-0-3-376);
- Geothermal resources development fund (89-0206-0-1-271);
- Government National Mortgage Association, Guarantees of mortgage-backed securities (86-4238-0-3-371);
- Health education loans (75-4307-0-3-553);
- Homeowners assistance fund, Defense (97-4090-0-3-051);
- Indian loan guarantee and insurance fund (14-4410-0-3-452);
- International Trade Administration, Operations and administration (13-1250-0-1-376);
- Low-rent public housing, Loans and other expenses (86-4098-0-3-604);
- Maritime Administration, War-risk insurance revolving fund (69-4302-0-3-403);
- Overseas Private Investment Corporation (71-4030-0-3-151);
- Pension Benefit Guaranty Corporation fund (16-4204-0-3-601);
- Rail service assistance (69-0122-0-1-401);
- Railroad rehabilitation and improvement financing fund (69-4411-0-3-401);
- Rural development insurance fund (12-4155-0-3-452);
- Rural electric and telephone revolving fund (12-4230-8-3-271);
- Rural housing insurance fund (12-4141-0-3-371);

Small Business Administration, Business loan and investment fund (73-4154-0-3-376);

Small Business Administration, Lease guarantees revolving fund (73-4157-0-3-376);

Small Business Administration, Pollution control equipment contract guarantee revolving fund (73-4147-0-3-376);

Small Business Administration, Surety bond guarantees revolving fund (73-4156-0-3-376);

Veterans Administration, Loan guaranty revolving fund (36-4025-0-3-704);

【Veterans Administration, National service life insurance fund (36-8132-0-7-701);

【Veterans Administration, Service-disabled veterans insurance fund (36-4012-0-3-701);】

Veterans Administration, Servicemen's group life insurance fund (36-4009-0-3-701);

【Veterans Administration, United States Government life insurance fund (36-8150-0-7-701);

【Veterans Administration, Veterans insurance and indemnities (36-0120-0-1-701);

【Veterans Administration, Veterans reopened insurance fund (36-4010-0-3-701); and

【Veterans Administration, Veterans special life insurance fund (36-8455-0-8-701).】

(h) **LOW-INCOME PROGRAMS.**—The following programs shall be exempt from reduction under any order issued under this part;

Aid to families with dependent children (75-0412-0-1-609);

Child nutrition (12-3539-0-1-605);

Commodity supplemental food program (12-3512-0-1-605);

Food stamp programs (12-3505-0-1-605 and 12-3550-0-1-605);

Grants to States for Medicaid (75-0512-0-1-551);

Supplemental Security Income Program (75-0406-0-1-609);

and

Women, infants, and children program (12-3510-0-1-605).

(i) **MILITARY PERSONNEL ACCOUNTS.**—*All military personnel accounts shall be exempt from reduction from any order issued under this part.*

【(i)】(j) **IDENTIFICATION OF PROGRAMS.**—For purposes of subsections (g) and (h), programs are identified by the designated budget account identification code numbers set forth in the Budget of the United States Government, 1986—Appendix.

SEC. 256. EXCEPTIONS, LIMITATIONS, AND SPECIAL RULES.

(a) * * *

* * * * *

(d) **SPECIAL RULES FOR MEDICARE PROGRAM.**—

(1) **MAXIMUM PERCENTAGE REDUCTION IN INDIVIDUAL PAYMENT AMOUNTS.**—The maximum permissible reduction for the health insurance programs under title XVIII of the Social Security Act for any fiscal year, pursuant to an order issued under section 252, consists only of 【a reduction of—

【(A) 1 percent in the case of fiscal year 1986, and

[(B) 2 percent in the case of any subsequent fiscal year,]
a reduction of 4 percent in each separate payment amount otherwise made for a covered service under those programs without regard to this part.

* * * * *

(3) **NO INCREASE IN BENEFICIARY CHARGES IN ASSIGNMENT-RELATED CASES.**—If a reduction in payment amounts is made under paragraph (1) for services for which payment under part B of title XVIII of the Social Security Act is made [on the basis of an assignment described in section 1842(b)(3)(B)(ii), in accordance with section 1842(b)(6)(B), or under the procedure described in section 1870(f)(1), of such Act] *on an assignment-related basis (described in section 1842(h)(8) of such Act), the person furnishing the services shall be considered to have accepted payment of the reasonable charge for the services, less any reduction in payment amount made pursuant to a sequestration order, as payment in full.*

* * * * *

(5) **ADJUSTMENT IN MAXIMUM ALLOWABLE ACTUAL CHARGE LIMITS FOR PHYSICIANS' SERVICES.**—*If a reduction in payment amounts is made under paragraph (1) for services for which payment is made under part B of title XVIII of the Social Security Act, in the case of physicians' services which are subject to a maximum allowable actual charge under section 1842(j)(1)(B) of such Act, the maximum allowable actual charge otherwise computed shall be—*

(A) *reduced by the same percentage reduction as the percentage reduction in payment amounts made under paragraph (1) for such services, and*

(B) *monitored and enforced, for purposes of clause (i) of such section, on the basis of the actual charge billed for a physicians' service (rather than on the basis of the weighted average charges for such service in a period of time).*

* * * * *

SEC. 257. DEFINITIONS.

For purposes of this title:

(1) The term "automatic spending increase" (except as otherwise provided in sections 255 and 256 means [—

[(A) increases in budget outlays due to changes in indexes in the following Federal programs:

[Black lung benefits (20-8144-0-7-601);

[Central Intelligence Agency retirement and disability system fund (56-3400-0-1-054);

[Civil service retirement and disability fund (24-8135-0-7-602);

[Comptrollers general retirement system (05-0107-0-1-801);

[Foreign service retirement and disability fund (19-8186-0-7-602);

【Judicial survivors' annuities fund (10-8110-0-7-602);

【Longshoremen's and harborworkers' compensation benefits (16-9971-0-7-601);

【Military retirement fund (97-8097-0-7-602);

【National Oceanic and Atmospheric Administration retirement (13-1450-0-1-306);

【Pensions for former Presidents (47-0105-0-1-802);

【Railroad retirement tier II (60-8011-0-7-601);

【Retired pay, Coast Guard (69-0241-0-1-403);

【Retirement pay and medical benefits for commissioned officers, Public Health Service (75-0379-0-1-551);

【Special benefits, Federal Employees' Compensation Act (16-1521-0-1-600);

【Special benefits for disabled coal miners (75-0409-0-1-601); and

【Tax Court judges survivors annuity fund (23-8115-0-7-602); and

【(B) increases in budget outlays due to changes in indexes in the following Federal programs:

National Wool Act (12-4336-0-3-351);

Special milk program (12-3502-0-1-605); and

Vocational rehabilitation (91-0301-0-1-506).

For purposes of the preceding provisions of this paragraph, programs are identified by the designated budget account identification code numbers set forth in the Budget of the United States Government, 1986—Appendix.

* * * * *

(9) The term "sequesterable resource" means new budget authority, unobligated balances, obligated balances, new loan guarantee commitments, new direct loan obligations, and spending authority as defined in section 401(c)(2) of the Congressional Budget Act of 1974 for programs, projects, and activities that are not exempt from a reduction or sequestration under this part.

* * * * *

PART E—MISCELLANEOUS AND RELATED PROVISIONS

SEC. 274. JUDICIAL REVIEW.

(a) * * *

* * * * *

(f) ALTERNATIVE PROCEDURES FOR THE JOINT REPORTS OF THE DIRECTORS.—

(1) In the event that any of the reporting procedures described in section 251 are invalidated, then any report of the Directors referred to in section 【251(a)】 251 (a)(2)(A) or (c)(1)

shall be transmitted to the joint committee established under this subsection.

* * * * *

SEC. 275. EFFECTIVE DATES.

(a) * * *

(b) EXPIRATION.—

(1) Part C of this title, and the other provisions contained in or added by this title which are listed in paragraph (2), shall expire September 30, [1991.] 1992.

* * * * *

CONGRESSIONAL BUDGET AND IMPOUNDMENT CONTROL ACT OF 1974

* * * * *

SHORT TITLES; TABLE OF CONTENTS

SECTION 1. (a) SHORT TITLES.—This Act may be cited as the “Congressional Budget and Impoundment Control Act of 1974”. Titles I through IX may be cited as the “Congressional Budget Act of 1974” and title X may be cited as the “Impoundment Control Act of 1974”.

(b) TABLE OF CONTENTS.—

Sec. 1. Short titles; table of contents.

Sec. 2. Declaration of purposes.

Sec. 3. Definitions.

TITLE I—ESTABLISHMENT OF HOUSE AND SENATE BUDGET COMMITTEES

Sec. 101. Budget Committee of the House of Representatives.

Sec. 102. Budget Committee of the Senate.

* * * * *

TITLE III—CONGRESSIONAL BUDGET PROCESS

Sec. 300. Timetable.

* * * * *

Sec. 312. *Special procedure in the Senate for establishment of statutory limit on the public debt.*

* * * * *

DEFINITIONS

SEC. 3. IN GENERAL.—For purposes of this Act—

(1) * * *

* * * * *

(7) The term “maximum deficit amount” means—

(A) with respect to the fiscal year beginning October 1, 1985, \$171,900,000,000;

(B) with respect to the fiscal year beginning October 1, 1986, \$144,000,000,000;

(C) with respect to the fiscal year beginning October 1, 1987, \$108,000,000,000;

[(D) with respect to the fiscal year beginning October 1, 1988, \$72,000,000,000;

[(E) with respect to the fiscal year beginning October 1, 1989, \$36,000,000,000; and

[(F) with respect to the fiscal year beginning October 1, 1990, zero.]

(D) with respect to the fiscal year beginning October 1, 1988, \$108,000,000,000;

(E) with respect to the fiscal year beginning October 1, 1989, \$72,000,000,000;

(F) with respect to the fiscal year beginning October 1, 1990, \$36,000,000,000;

(G) with respect to the fiscal year beginning October 1, 1991, zero.

* * * * *

TITLE III—CONGRESSIONAL BUDGET PROCESS

* * * * *

ANNUAL ADOPTION OF CONCURRENT RESOLUTION ON THE BUDGET

SEC. 301. (a) * * *

* * * * *

(i) MAXIMUM DEFICIT AMOUNT MAY NOT BE EXCEEDED.—

(1) * * *

(2)(A) Paragraph (1) of this subsection shall not apply if a declaration of war by the Congress is in effect.

(B) Paragraph (1) shall not apply to any concurrent resolution or amendment thereto or conference report thereon if the report accompanying such concurrent resolution or joint explanatory statement accompanying such conference report states that the concurrent resolution (as reported) or conference report or amendment, as the case may be, provides for reductions from a budget base estimate for such fiscal year (based on laws in effect on March 1 of the calendar year during which the fiscal year begins) of at least \$25,000,000,000.

* * * * *

SPECIAL PROCEDURE IN THE SENATE FOR ESTABLISHMENT OF STATUTORY LIMIT ON THE PUBLIC DEBT

SEC. 312. Upon receipt in the Senate of the engrossed copy of a joint resolution described in clause 1 of rule XLIX of the Rules of the House of Representatives increasing or decreasing the statutory limit on the public debt, the vote by which the conference report on the concurrent resolution on the budget was agreed to in the Senate (or by which the concurrent resolution itself was adopted in the Senate, if there is no conference report) shall be deemed to have been a vote in favor of such joint resolution upon final passage in the Senate. The joint resolution shall then be signed by the presiding officers of both Houses and presented to the President for his signa-

ture (and otherwise treated for all purposes) in the manner provided for bills and joint resolutions generally.

* * * * *

TITLE IV—ADDITIONAL PROVISIONS TO IMPROVE FISCAL PROCEDURES

* * * * *

BILLS PROVIDING NEW SPENDING AUTHORITY

Sec. 401. (a) * * *

* * * * *

(c) Definitions.—

(1) For purposes of this section, the term “new spending authority” means spending authority not provided by law on the effective date of this Act, including any increase in or addition to spending authority provided by law on such date.

(2) For purposes of paragraph (1), the term “spending authority” means authority (whether temporary or permanent)—

(A) to enter into contracts under which the United States is obligated to make outlays, the budget authority for which is not provided in advance by appropriation Acts;

(B) to incur indebtedness (other than indebtedness incurred under chapter 31 of title 31 of the United States Code) for the repayment of which the United States is liable, the budget authority for which is not provided in advance by appropriation Acts;

(C) to make payments (including loans and grants), the budget authority for which is not provided for in advance by appropriation Acts, to any person or government if, under the provisions of the law containing such authority, the United States is obligated to make such payments to persons or governments who meet the requirements established by such law;

(D) to forego the collection by the United States of proprietary offsetting receipts, the budget authority for which is not provided in advance by appropriation Acts to offset such foregone receipts; and

(E) to make payments by the United States (including loans, grants, and payments from revolving funds), other than those covered by subparagraph (A), (B), (C), or (D), the budget authority for which is not provided in advance by appropriation Acts.

Such term does not include authority to insure or guarantee the repayment of indebtedness incurred by another person or government.

(3) For purposes of paragraph (2)(C), the term “payments” also includes payments to any person or government that are required under terms of an authorization law, notwithstanding

the existence or level of annual appropriations in satisfaction of such requirement.

* * * * *

SECTION 1105 OF TITLE 31, UNITED STATES CODE

§ 1105. Budget contents and submission to Congress

(a) * * *

* * * * *

(g) The Director of the Office of Management and Budget and the Director of the Congressional Budget Office should meet annually to develop a common baseline projection to be utilized in the preparation of budgets by the President pursuant to subsection (a) and by the Congress pursuant to title III of the Congressional Budget Act of 1974.

○